

Despite Government Pleas

Whites Leaving Rhodesia At Record Monthly Rate

SALISBURY, Rhodesia, Nov. 27 (UPI) — The government today reported the highest monthly white emigration rate in Rhodesia's history.

The monthly digest of statistics said that 252 whites immigrated in October while 1,834 — an unprecedented number — left. That left a negative balance of 1,582.

The previous record loss of whites through emigration — 1,490 — was recorded in September.

The loss of whites through emigration during the first 10 months of this year was 9,164 compared to 9,295 for the same period last year.

The current rate, however, indicates that the total loss of whites through emigration for 1978 will exceed the 10,908 record figure of the preceding year.

Whites — believed to number about 20,000 in this land of more than 6.5 million blacks — have been leaving Rhodesia despite pleas from Prime Minister Ian Smith and his three black colleagues on the interim government's ruling executive council to await the results of efforts aimed at achieving a peaceful majority-rule settlement.

The record emigration rates have caused serious concern among government officials because whites run the armed forces and the civil service and fill the vital professions.

Amin Says Tanzanians Take Town

NAIROBI, Nov. 27 (UPI) — Ugandan radio reported today that the Ugandan government accused Tanzanian forces and mercenaries of crossing into Uganda and capturing the border town of Mutukula.

The Uganda Broadcasting Corp., monitored in Nairobi, reported that the Ugandan southern command had sent a communiqué to Kampala saying that Tanzanian forces and mercenaries today "recaptured" Mutukula — "after heavy artillery bombardment of the town, which only had a few soldiers guarding it." The radio said, "Tanzanian forces are advancing inside Uganda now."

Mutukula is about 100 miles (160 kilometers) southwest of the Ugandan capital.

On Oct. 30, about 3,000 Ugandan troops crossed into Tanzania, captured a 710-square-mile salient and held it for two weeks. Tanzania has asserted that 40,000 residents escaped the Ugandans, leaving behind 5,000 to 10,000 unaccounted for and feared dead.

Yesterday, Ugandan radio alleged that Tanzania had bombed Sango Bay, north of the Kagera River, and it elaborated on a bombing report of Friday, saying that Tanzanian aircraft damaged Mutukula prison in an air raid and bombed the Tanzanian border village of Minziro three hours later.

In Dar es Salaam, the Tanzanian government newspaper, the Daily News, in a report by its correspondent who accompanied Tanzanian troops to Minziro after it had been evacuated by Ugandan units, said:

"It appears that Amin's troops committed their worst atrocities here. We saw many bodies of peasants whose legs and arms had been tied with ropes. Others were hanging from roofs of houses and from trees. Many others, were crushed by tanks and APCs [armored personnel carriers]."

Japan's Premier Defeated In Party Leadership Vote

(Continued from Page 1)

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Few Differences

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EEC Reaches 'Furthest Limit' With Comecon

BRUSSELS, Nov. 27 (AP-DJ) — The European Economic Community said Saturday that it had reached its "furthest limit" in concessions to the Soviet-led Comecon and that the next move in negotiating any mutual recognition agreement was up to the Comecon side.

At a news conference at the end of five days of talks, EEC external affairs commissioner Wilhelm Haferkamp said three new European proposals made Friday were "the extreme limit of compromise to which we can go."

The talks on recognition between the blocs have gone on for five years. The EEC proposals would have moved the mutual recognition agreement closer to a trade pact, which Comecon desires, without formally deciding trade questions.

Kaunda Takes Tough Line

LUSAKA, Zambia, Nov. 27 (Reuters) — President Kenneth Kaunda has invited white farmers living in Zambia to leave if they believe the country cannot do without their skills.

"If you think you are here to grow maize, get out," Mr. Kaunda said. "If this is their [white farmers] thinking they can get out of Zambia before the next rainy season."

Mr. Kaunda's speech was reported by the official Radio Zambia and officially controlled press today. It was the toughest line he has taken against the farmers since Rhodesian rule on Oct. 19 and Nov. 2 sparked anti-white feelings.

There were cases of Zambians mobbing whites while Rhodesian nationalist guerrillas based in Zambia abducted white farmers and interrogated them over whether they were Rhodesian collaborators.

Some farmers at Ngwerere, 12 miles north of here, reacted angrily to the abductions and threatened to stop planting unless the guerrillas of Joshua Nkomo's Zimbabwe African Peoples Union (ZAPU) were moved away from their farms.

But Mr. Kaunda, who has already said that pressure of this kind is unacceptable, said that those who thought they had special status were not welcome in Zambia. The farmers' main organization, the Commercial Farmers Bureau, last week disassociated itself from the Ngwerere threat.

Spanish Aide Sees Rees

LONDON, Nov. 27 (UPI) — Spanish Minister of Interior Rodolfo Martín Villa paid courtesy calls today on Home Secretary Merlyn Rees and Foreign Office Minister of State Frank Judd. Mr. Martín Villa took part this weekend in a seminar on terrorism near Oxford.

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Former President Nixon shakes hands with Adm. Philippe de Gaulle at the Charles de Gaulle Institute in Paris yesterday.

Nixon Cites de Gaulle Inspiration

PARIS, Nov. 27 (AP) — Former U.S. President Richard Nixon today called Charles de Gaulle one of the leaders he most admired, and said that the late French president foresaw Mr. Nixon's political future even in his dark days of the early 1960s.

Mr. Nixon said that of all the foreign leaders he had met "I would say that Gen. de Gaulle was perhaps the one that most inspired me."

His comments were made after a 35-minute visit to the Charles de Gaulle Institute.

where he met with the French leader's son, Vice Adm. Philippe de Gaulle, and visited the office where de Gaulle wrote his memoirs.

Mr. Nixon is in Paris to appear on a television question show tomorrow evening.

He said that Adm. de Gaulle reminded him of the occasion in 1963 when, at a private lunch in Paris, Gen. de Gaulle proposed a toast in which "he said he thought I had, in effect, an opportunity for leadership. At the time I didn't think he was right; he did prove to be right."

Teng Stresses Agreement With Hua on 'Everything'

(Continued from Page 1)

Mr. Hua might lose his post as premier because he was originally appointed to it by Mao himself in a controversial move in April, 1976, on the same day that Mr. Teng was purged. Mr. Teng's comments today were evidently considered highly significant by Peking because the government took the unusual step of disclosing them to the press itself.

According to Agence France Presse, which reported Mr. Teng's remarks, they were divulged by "senior sources present at the interview." The ranking Chinese official there was the director of the information department of the Foreign Ministry, Chien Chi-chien.

But Mr. Teng's statements seemed less than fully candid. Only yesterday, he said to a group of visiting Japanese that Mao had been "seriously ill" when he proposed that Mr. Hua be premier and had Mr. Teng ousted. In that interview Mr. Teng said, ambiguously, that the 1976 decision was "wrong" and must now be corrected. It was impossible to tell whether Mr. Teng meant both the decision firing him and appointing Mr. Hua or only one.

In explaining how these decisions had been reached, Mr. Teng said yesterday that Mr. Hua had had little to do with what was going on. But this attempt to absolve Mr. Hua must raise further doubts in the minds of many Chinese. For they have been repeatedly told that shortly after Mr. Hua was named premier Mao invited him to his study and told him, "with you in charge, I'm at ease." Paintings of this reported scene have been reproduced by the millions and hang in many Chinese homes.

Mr. Hua's appointment as premier, and also as vice-chairman of the party, occurred two days after the large demonstration in Peking's Tiananmen Square honoring Chou En-lai, who had died three months before. At the time the incident was labeled counterrevolutionary and blamed on Mr. Teng, but this verdict was reversed last week.

It may be that Mr. Teng and Mr. Hua now do get along well, as Mr. Teng insisted. But the whole episode of April, 1976, remains Mr. Hua's cross to bear and he seems unlikely to escape from the predicament easily. According to the senior Chinese official who reported Mr. Teng's interview with Mr. Novak, Mr. Teng said the current party gathering was not a plenary session of the Politburo.

That left the possibility that it might be a special meeting to prepare for a full session of the larger Central Committee. Given China's new insistence since Mao's death on following legal norms, the party leadership may feel it necessary to call a full Central Committee meeting before taking an important action like reviewing the April, 1976, decisions.

West Bank Crackdown

(Continued from Page 1)

"We're used to harassment, but there seems to be a new motivation for it now."

Bir Zeit, with an enrollment of 1,200 Palestinian students, has long been regarded by Israeli authorities as a breeding ground for radical West Bank Arabs and a staging area for terrorist activities.

However, the Orthodox Club of Ramallah, while well known as a discussion center for West Bank nationalists, has not been associated with terrorist activity, and its imprisoned members, according to relatives and friends, do not have records of terrorist activity.

The club members arrested are generally middle class and business-oriented, with the common denominator seeming to be their vocal opposition to autonomy during recent meetings of the club.

Other members of the Orthodox Club said that there had been considerable discussion about Camp David at recent meetings of the group, and that they assumed the military authorities had informants at the sessions.

Immediately after the Camp David accord was signed on Sept. 18, military authorities noticeably eased restrictions on West Bank political meetings and even appeared to encourage a dialogue among Palestinian Arabs.

Israeli Defense Minister Ezer Weizman, according to government sources, personally approved free West Bank expression on autonomy and ordered that public meetings be permitted. Some Palestinians began calling the policy the "Prague Spring" of the West Bank.

The first hint of renewed restrictions occurred on Nov. 18, when a deputy defense minister, Mor Dechut Zippori, publicly warned that the government would not countenance meetings that were apt to arouse "unattainable expectations" and "encourage feelings in Israel which will not contribute to peaceful coexistence."

Five days later the occupying government announced that political rallies would be permitted only if their organizers obtained permits. The organizers complained that they were required to submit in advance an outline of what was to be said, and that if the program included anti-autonomy speeches, permits were denied.

Disputed Child Held Key to Cult Deaths

(Continued from Page 1)

members, including the child, would commit the ultimate sin and leave the church.

The punishment of the group was therefore deemed necessary by Mr. Jones, who, according to the source, proclaimed the mass suicide as the "will of the people."

The importance of the Stoen family in the evolution of the People's Temple dates to 1970, when Grace Stoen joined her husband as a member of Mr. Jones' congregation in Ukiah, Calif. Timothy Stoen, who was then in his early 30s, rose quickly in the ranks of the church, becoming the temple's prime legal counsel and a trusted adviser to Mr. Jones.

On Jan. 25, 1972, Mrs. Stoen gave birth to a son. The child was brought up in the teachings of the temple and raised by her, Mr. Jones and other members of the congregation. In 1974 and 1976, Mrs. Stoen signed documents, later ruled invalid, granting custody of her son to the People's Temple.

Mrs. Stoen, however, became increasingly disenchanted with Mr. Jones' operation of the church. In a court declaration last year, she charged that members of the church were subjected to beatings and public humiliation, and that Mr. Jones became consumed by a "paranoid world vision" and "claimed at various times to be the reincarnation of Buddha, Jesus Christ and Lenin."

Mr. Stoen, disillusioned, she stated, "secretly departed" from the church in July of last year, leaving behind her son and husband. Four months later, Mr. Jones sent the child to Guyana.

After what she said were repeated unsuccessful efforts to persuade her husband and Mr. Jones to give back her son, she filed for divorce in the Superior Court in February of last year.

It was in the course of protracted legal wrangling over the case, according to her attorney, Jeffrey Haas, that Mr. Jones first made the allegation that he was the natural father of the child. The claim was heatedly denied by the Stoens, however, and was not an issue in the custody proceedings.

On Aug. 26 of last year, Mrs. Stoen obtained a preliminary ruling from Superior Court Judge Donald King in San Francisco granting her custody of the child and ordering Mr. Jones' appearance in court. Armed with a judge's order, Mr. Haas said that he went to Guyana to begin court proceedings there, and to secure the child's release from Jonestown, the cult's headquarters.

It was Mr. Haas' appearance and initial success in the Guyanese courts in September of last year that reportedly led Mr. Jones to issue his first threat of destruction. People's Temple attorney Charles Garry has said that he was contacted at the time by the San Francisco temple office and told that Mr. Jones had threatened to destroy the temple.

2 Czechs, Poles Join in Appeal For a Dissident

VIENNA, Nov. 27 (AP) — Two leaders of the Charter 77 movement for more human rights in Czechoslovakia and Polish rights activists have jointly sent an open letter to their parliaments demanding the release of Jaroslav Sabata, Czechoslovak dissident sources said here today.

Mr. Sabata is one of the Charter 77 spokesmen. The letter was signed by the two other spokesmen, playwright Václav Havel and Ladislav Hejzlanek. The names of the Polish signers were not disclosed.

A Czechoslovak dissident had been reported arrested Oct. 1 near Bratislava, the Czechoslovak capital. He was about to meet with Polish activists. He apparently has been in custody ever since.

Mr. Havel, Mr. Hejzlanek and 50 other Charter 77 supporters appealed earlier this month to European leaders including British Prime Minister James Callaghan, Austrian Chancellor Bruno Kreisky and German Chancellor Helmut Schmidt, to help Mr. Sabata.

Israel's Radio Reports Plan on New Negev City

TEL AVIV, Nov. 27 (UPI) — Israeli national radio today reported on a leaked Ministry internal memo, said yesterday that Israel plans to build a city in the Negev Desert to replace Yamit in the northeastern Sinai, which is to be evacuated as part of the peace treaty with Egypt.

The radio report said that the ministry also wants additional settlements to be built in the Gaza Strip to help relocate the 400 families settled at Yamit.

The city is to be southeast of Israel's northern Sinai settlements on a tract of barren desert called Nizana and will lie on the new border with Egypt after a full withdrawal from the Sinai.

Two roads will be built through the desert for the city, the radio said, one from the Negev capital of Beersheba west toward Nizana, and the other along the new border from the end of the Gaza Strip to Eilat at the southern tip of Israel.

Odell Rhodes believed that he had a reason for surrendering his will to Mr. Jones, except for that final, fateful moment when the cups of cyanide were being passed around. Mr. Rhodes broke his bonds then.

Mr. O'Neal wanted to help the people of the world, but he could not help himself.

order mass suicide if the Stoens were not stopped. Mr. Garry said that he met with Mr. Jones' wife, Marcie, in Chicago and "made a telephone radio patch to Jonestown."

"I told Jones it was madness," Mr. Garry said. "He said the people had demanded (suicide) and that he, as their leader, had to give in."

Supporting Mr. Garry's version of the events is a sworn affidavit made in June by Deborah Blakey, the group's former "finance secretary," Miss Blakey, who was in the group's San Francisco office during the September "crisis," said that Mr. Jones was bitter over Mrs. Stoen's defection and fearful of what Mr. Stoen, who was then defecting, might say about the cult. Mr. Jones "believed that he would be able to stop Timothy Stoen," Miss Blakey said, "from speaking against the temple as long as the child was being held in Guyana."

Ultimatum to Guyana

With the arrival of Mrs. Stoen's attorney at Jonestown, Miss Blakey recalled, "the radio messages from Guyana were frenzied and hysterical." She and another temple member

Mr. Haas said that Mrs. Stoen "met with Leo Ryan two or three times" to plead her case and describe her experiences. She was "one of the central figures" in Rep. Ryan's decision to lead his fact-finding mission to Jonestown, according to Mr. Haas. The Stoens also traveled separately to Guyana during Rep. Ryan's visit.

According to the source close to the cult, the threat that Rep. Ryan's mission would reopen the custody proceedings and force the release of the child, along with Mr. Jones' fear of other defections, triggered the "punishing mechanism" and the collective suicide of the Jonestown congregation.

Six-year-old John Stoen was among the victims of the mass poisoning, Grace and Timothy Stoen, according to Mr. Haas, are now in the San Francisco Bay Area. They could not be reached for comment.

They Called Jones 'Dad'

Survivors Tell of Leader and His Flock

By Jon Nordheimer

GEORGETOWN, Guyana, Nov. 27 (NYT) — "It may sound funny," said Tim Carter as he slumped in a chair on a veranda of an ancient colonial hotel and reflected on James Jones, "but I never once thought he was crazy until I saw my wife and 15-month-old son dying of convulsions last Saturday."

Looking back on it after the events at the People's Temple jungle commune at Jonestown, the strange behavior that had become a part of everyday life for the sect has taken on new meaning and shading for the survivors.

There was the leader who wanted to be called "Dad" by his flock. "Dad knows best," the people would say when there was disagreement inside the commune. "Just do as Dad tells you."

That was the approach Mr. Jones would take when he had sex with the women of the commune. "He told his husbands that he only did it to help the woman," Mr. Carter said, "but he also did it to emasculate the men of Jonestown." Mr. Jones would claim a sexuality superior to that of all men everywhere, according to Mr. Carter.

"Everyone had to admit they were homosexual, even the women," said Jerry Parks, whose wife was killed along with Rep. Leo Ryan, D-Calif., and three U.S. newsmen when cult members tried to prevent the Parkes from leaving the commune, the incident that triggered the mass murder-suicide at Jonestown.

"He was the only heterosexual, that's what he said," said Mr. Parks, who had turned over his home and everything he owned in California to the People's Temple.

Yet Mr. Jones was also a bisexual who had relations with some men in the commune, according to Mr. Carter.

"He had unlimited power in Jonestown," said Chris O'Neal. "He had set up his own empire and he could do just about anything he wanted and no one could stand in his way."

Strength Applauded

Not only did most of the Jonestown residents not complain, they applauded his strength. Why had they done it? It was a question no one could adequately answer as the dazed survivors prepared to piece together new lives from the wreckage they carried from Jonestown.

This is an example of what some Americans will subject themselves to in order to bring some structure to their lives," said Sherwin Harris, a nonmember who had lost his 21-year-old daughter and former wife in the convulsion of death. "We do so many things in our society that detract from the value of the family that people want the size, or an individual, to do everything for them."

Mr. Jones called himself a socialist; his son said that he had become a fascist by the time he died. Whatever the label, he embraced a form of totalitarianism that reduced the lives of his followers to useful instruments to serve a single master.

Such was his control that in a matter of hours on a single day he could use this power in a murderous confrontation with outsiders, and then turn it against himself and his followers.

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Mr. O'Neal wanted to help the people of the world, but he could not help himself.

After the shootings, police sealed the building until Mr. White was apprehended.

As the news spread to other city offices in the building, small groups of city employees stood in the corridors, weeping. Some expressed fear.

"Incredible. It just couldn't happen," a man said.

Telephones in the building were overloaded and failed. A crowd of several hundred assembled outside and remained hours after the shooting.

Although City Hall has metal detectors at each entrance, and guards on duty who check each person entering, a guard said that members of the Board of Supervisors

Mr. White resigned recently from the board, saying he could not afford to continue at the salary of \$9,600 a year. However, he later said he wanted his job back after friends and relatives came to his financial aid.

Mr. Moscone, 49, was elected mayor in 1975. He had served on the Board of Supervisors from 1963 through 1966 and then served as a Democrat in the California Senate from 1966 through 1975. He was majority leader of the state Senate before his election as mayor.

In 1974, he announced his intention to run for governor of California, but later withdrew.

Mr. Milk, 47, a camera store owner and leader of San Francisco's large homosexual community, was elected a supervisor last year.

Non-smoker Wins Refund

DES MOINES, Nov. 27 (UPI) — A magistrate has ruled that United Airlines must refund \$410 to a nonsmoker because it did not adequately separate him from passengers who smoked during a flight.

The refund covers the round-trip passage between Des Moines and Lake Tahoe, Nev., paid for by Dr. Mark Ravreby in July of last year.

Dr. Ravreby had claimed in his suit that he has a bronchial condition that is aggravated by smoke.

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Purports to Show 2 in Windows

Kennedy Film Is Unclear On Oswald 'Accomplice'

By Wendell Rawls Jr.

WASHINGTON, Nov. 27 (NYT) — An eight-second film shown to a crowded room of journalists and assassination researchers here yesterday purported to show the presence of more than one person in the windows of the sixth floor of the Texas School Depository building minutes before President John F. Kennedy was killed by shots fired from the building.

The film and individual frames of it, which were copies enlarged more than 1,000 times their original size, did not show conclusively to the layman's eye the presence of at least two human figures in the windows.

The 8mm film was taken by amateur photographer Charles Bronson, a metallurgist from Ada, Okla. He had used a wide-angle lens and was standing about a block from the building while he was filming, 15 years ago last week.

Frames Deemed Unclear
His film was viewed by the FBI here three days after the assassination and was deemed "not sufficiently clear for identification purposes."

The existence of the film was disclosed almost a year ago when the FBI made available to the public about 90,000 pages of previously classified documents relating to President Kennedy's murder.

Members of the Assassination Information Bureau read of the existence of the film and contacted a reporter for the Dallas Morning News, who in turn located Mr. Bronson and the film.

The newspaper has published several articles about the film and printed nine photographs of the enlarged movie frames in yesterday morning's editions. In what appeared to be a carefully orchestrated presentation, the bureau then called a news conference yesterday and distributed copies of the newspaper and press releases.

No photographs of the film or of the slide enlargements were permitted.

so that Mr. Bronson's "best interest could be protected," Mr. Sigalos said. He added later that Mr. Bronson was not claiming that the film disclosed any new information, that he was simply cooperating "with these other people because he has no reason not to," Mr. Sigalos said.

The film was sent to Robert Groden, a Hopedale, N.J., photography technician, who had performed photo-enhancement work on the widely distributed Abraham Zapruder film of the president being shot. Mr. Groden had also testified before the House Select Committee on Assassinations and had been paid by the committee occasionally as a consultant, although he had not been selected to be on the committee's panel of photographic experts.

Mr. Groden said yesterday that "it is beyond question" that there were two figures moving in the double window from which the Warren Commission and the House committee maintain the fatal shots were fired.

If his interpretation of the photographs is correct, it could disprove contentions that Lee Harvey Oswald acted alone in killing Mr. Kennedy.

One Figure to Layman
However, the film and the enlarged frames are exceedingly grainy and blurred. If they disclose anything to the layman's eye, it is perhaps one figure in one window.

However, the alleged moving figure that Mr. Groden pointed out yesterday was supposedly standing in a different window than the ones that the Dallas newspaper presented in its page 1 nine frame enlargements.

Mr. Groden said that one person on the sixth floor could be seen approving the day's journal. The result was 834 time-consuming roll calls this year, compared with 329 in 1972.

Members were caught both ways. More subcommittees meant more meetings. But even as they met, they were interrupted for floor votes. A few conceded that they often had no idea what they were voting on.

The leadership was also in a bind over how to schedule all the legislation for floor action and turned off to the suspension calendar, a device intended to speed up consideration of noncontroversial measures, but which allows no floor amendments and requires a two-thirds vote for passage. Last year 400 bills ended up on the suspension calendar, compared with 146 in 1972, and some of them were both controversial and expensive.

Finally, as a Democrat put it, there is the ultimate question: "Why, in an era of anti-spending and anti-regulation, are we churning out bills that increase spending and add to the number of regulations?"

Two newer Democrats, Reps. Paul Simon, D-Ill., and John LaFalce, D-N.Y., recently sent a letter to other House members that said: "We believe that the time has come for the House to assess the kind of balance we have achieved between efficiency and the desire to permit all sides to have their causes heard and decided."

They praised the changes that opened up the system, but added, "We have to wonder, has the pendulum swung too far? We believe it has."

'78 Food Output Shows Faster Rise Than in '77

ROME, Nov. 27 (AP) — World food production this year has increased faster than last year, mainly because of a very large rise in output in Eastern Europe and the Soviet Union, the United Nations Food and Agriculture Organization reported today.

Food output was estimated to increase by between 3 and 3.5 percent in 1978, compared to 2.2 percent in 1977, the office of the director-general said in its annual report to the FAO council. The gain in Russia and Eastern Europe was forecast at more than 5.5 percent, compared with 1.9 percent last year.

Despite the accelerated overall growth, the FAO said the present food situation gives rise to considerable concern in several areas. These include several countries in Southeast Asia, where serious flooding has damaged crops, and the deserts of Northeast Africa and Southwest Asia, where locust infestations have recently reached plague levels.

In addition, the FAO cited persistent problems of insufficient long-term production growth in the developing countries and the widespread incidence of undernutrition.



Robert Groden

The newspaper story maintained, however, that the two figures were in the same double window and disregarded the possibility of a person in the third window.

FBI Said Building Not Shown

WASHINGTON, Nov. 27 (WP) — The FBI was informed of the Bronson film by a letter he wrote. Two agents viewed it with him and an Eastman Kodak representative on Nov. 25, 1963. The FBI apparently concentrated only on subsequent segments that Mr. Bronson took of the assassination itself.

Bronson also made some 35mm shots with a still camera. FBI agent Milton Newsom discounted their value in a Nov. 25, 1963, memo, stating:

"These films failed to show the building from which the shots were fired. Film did depict the president's car at the precise time shots were fired; however, the pictures were not sufficiently clear for identification purposes."

Carl Oglesby, director of the Assassination Information Bureau, chided the House Select Committee on Assassinations for failing to discover the film as part of its \$5 million investigation.

By Ronald Kessler

WASHINGTON, Nov. 27 (NYT) — Life as the manager of a General Services Administration store that provides government workers with office supplies was a constant battle to give away as much of the merchandise as possible, according to one of the former store managers indicted in the GSA scandals.

The former store manager, who agreed to talk with a reporter on condition that his name not be used, said the pressure to "sell" more goods came from GSA supervisors. He said that they based promotions and demotions on the sales volume generated by each supply store.

"I would actually have nightmares about what would happen to me if I didn't make a certain sales level each month," the GSA employee said.

He said he never learned why GSA was interested in "selling" more merchandise, rather than less, and over questioned the policy.

The supply stores are located in major government buildings, where representatives of agencies load shopping carts with goods taken from shelves arranged as in a supermarket. The items are charged to the agencies.

Federal investigators have attributed pervasive corruption within

Tehran Says Violent Acts Still Go On

TEHRAN, Nov. 27 (AP) — Scattered violence was officially reported in provincial towns as employees of the central bank and other government agencies returned to work today following a 24-hour general strike.

The strike was called by Moslem religious leaders to keep pressure on Shah Mohammad Reza Pahlavi. It appeared to have little effect on the nation's economy. There were few major disruptions in public services.

Bazaars, the heart of commercial activity in every town and city of Iran, reopened, along with many shops, bakeries and food stores had remained open during the general strike.

In Tehran, shoppers packed the narrow alleys of the main bazaar which has been the staging area for numerous demonstrations.

Pars, the official Iranian news agency, reported that rioters in Isfahan, 400 kilometers south of Tehran, burned down eight banks yesterday. The agency did not indicate whether there were any casualties.

After the incidents in Isfahan, martial law authorities increased the curfew by three hours, making it effective from 8 p.m. to 5 a.m. Curfews remain in effect in 11 other cities, including the capital.

Incidents were also reported in Rezaieyeh, in the Azerbaijan province. Hundreds of persons leaving a mosque following morning prayers yesterday demonstrated against the government. Police used tear gas to disperse the men after they had smashed windows of two banks. No injuries were reported in that incident.

Thousands of Vietnamese Pour Ashore in Malaysia

PORT KLANG, Malaysia, Nov. 27 (UPI) — Thousands of Vietnamese refugees arrived in Malaysia today aboard a flotilla of 35 boats.

Many made their way to beaches after scuttling their vessels to keep marine police from forcing them back to sea. They were expected to join about 40,000 refugees already in makeshift camps, the police said.

Meanwhile, the fate of more than 1,000 Vietnamese refugees still aboard the Hai Hong freighter rests with the United States after other Western countries have resettled 1,500 of them, diplomats said today.

Canada flew out the first batch of 161 and is moving out a second group of about the same size tomorrow, to be followed by two other flights at intervals of three days, making a total of 604.

Lower Saxony
West Germany will take in the second largest number for the state of Lower Saxony. Initially there was a plan to accept 1,000 of them, but because the German freighter Tom Jacob picked up 450 Vietnamese refugees from their boat off Thailand, the embassy said only 550 from the Hai Hong will join the others for resettlement in Germany.

France will fly 221 Hai Hong refugees to Paris on a charter plane Wednesday night. Belgium has indicated a willingness to take in 150, but diplomats were doubtful that it will select that many.

About 1,500 from the 1,600-ton Hai Hong, anchored off Port Klang

Etna Smoldering
CATANIA, Sicily, Nov. 27 (AP) — Mount Etna emitted ash and smoke today for the sixth day in a row. Experts said the renewed activity, which began on Wednesday, was decreasing after reaching its peak over the weekend.

One of Those Indicted in U.S. Agency Scandal

GSA Store Manager Says He Was Pressured to Sell

The GSA in part to pressures within the agency to spend more money so that Congress would give GSA higher budget allocations each year.

"Instructed to Spend"
"You wouldn't believe it," said an investigator. "Managers of federal buildings have told us they were instructed to spend as much money as they could, all year long, regardless of what the money was used for. No one cared where it

went, as long as it was spent. It didn't take long before they learned to spend it on themselves."

Both managers of federal buildings run by the GSA and managers of the stores that supply government workers with office materials are the focus of major investigations by Washington and Baltimore U.S. attorneys' offices.

One investigator has estimated that at least a quarter of the \$37.6 million in goods purchased by the supply stores each year over is delivered to the GSA. The money then is divided between the store managers who certify that they received goods never delivered and the supply companies involved.

So far, 27 store managers, their assistants, or contractors who sold to them have been indicted by a U.S. grand jury in Baltimore for defrauding the government. In the concurrent GSA investigation in Washington, five contractors have been charged with paying bribes so that GSA building managers would certify they did maintenance work they had not performed.

U.S. Educator Says Censorship Increasing in School Libraries

KANSAS CITY, Mo., Nov. 27 (AP) — Censorship of books in U.S. school libraries has increased during the last decade, mainly because of small but effective organizations, according to Lee Burress, a member of the censorship committee of the National Council of Teachers of English.

Mr. Burress, speaking to the council's 68th annual convention, cited a recent survey of 2,000 schools showing that 30 percent of them censored books, school newspapers or other materials. A similar survey in 1965 showed that 20 percent of the schools exercised censorship, he said.

Mr. Burress said that a relatively small number of outspoken people were responsible for censorship, but that these groups were well organized. There are 15 or 16 groups involved in school censorship in the United States, he said.

Mr. Burress said that the Texas School Book Commission banned several standard dictionaries from all Texas schools because they contained objectionable words. He said that some were banned because the definition of the word bed included a reference to sexual intercourse.

He said that among the books removed or barred from school libraries were "Catcher in the Rye," "Go Ask Alice," "Of Mice and Men," "The Grapes of Wrath," "A Separate Peace," "The Diary of Anne Frank," "To Kill a Mockingbird," "The Scarlet Letter," "1984" and "The Bible."

The most common reasons cited for removing books, Mr. Burress said, was sexual frankness, profanity, obscenity and bad grammar.

Against Carter Inflation Plan

Unions Gear to Protect Fringe Benefits

By Helen Dewar

WASHINGTON, Nov. 27 (WP) — With payments stretching from the cradle to the grave, fringe benefits earned by U.S. workers account for more than 1 of every 4 payroll dollars.

Benefits, many tax-free, have been rising faster than wages; they are a kind of middle-class tax shelter. Unions are scrambling to expand their benefit portfolio, fattening existing fringes and adding others to cover everything from teeth to open-heart surgery. While wages have doubled during the last 10 years, benefits have nearly tripled.

But success has its price, and the price — in the form of President Carter and his inflation-fighters — wants to be paid.

Hardly noticed at first in Mr. Carter's anti-inflation guidelines was the fact that the proposed 7 percent ceiling on wage and benefit increases for next year includes any additional costs of maintaining existing benefits, even if the benefits do not change.

Modification Sought
Administration officials, faced with strong union objections and warnings that inflexibility could shatter the whole program, are trying to find ways to modify the benefits rules without bending it too much. But the multibillion-dollar cost of benefits and their impact on inflation remain.

Inflation has made this a major problem, principally in the area of health care, where overall expenditures are rising at an annual rate of 12 percent, faster than the underlying inflation rate.

Another problem centers on the government rules established before the anti-inflation plan was announced last month, including pension-funding requirements under the Employee Retirement Income Security Act (ERISA).

The problem is particularly acute for many of the big unions that will be bargaining for contracts next year because they have either benefit-rich contracts or severe benefit-funding problems.

Except for the Teamsters union, whose ERISA funding requirements could eat up one-third or more of the allowable 7 percent, the cost of maintaining benefits may not exceed 1 percent of any prospective compensation gain, according to a number of labor economists.

That is because health and pension benefits, while increasing proportionately to wages and wage-related benefits such as vacations, still constitute only about 15 percent of total compensation with variations in individual union contracts and nonunion plans.

Thus, a 10-percent increase in a health and pension plan that constitutes 10 percent of an employee's compensation would amount to a 1 percent increase in overall payroll costs.

"But, remember," a sympathetic government official said, "that's one-seventh — or 14 percent — of what they can get, and it's a real problem for a lot of them."

Moreover, many of the unions that come to the bargaining table early in the year — and thus may set precedents for other unions to

Lebanese President Starts French Visit
PARIS, Nov. 27 (AP) — Lebanese President Elias Sarkis arrived here today for his first official visit to a non-Arab country since being elected 31 months ago.

Mr. Sarkis, who arrived with Premier Salim al-Hoss, will confer tomorrow with French President Valéry Giscard d'Estaing and Prime Minister Raymond Barre.

erals toured his store, he said, they would ask the monthly volume. "They'd say, 'Very good, keep it up,'" he said.

Asked why store managers received incentive awards for increased sales, Jerald Sterburg, formerly the top official over the supply store in this region, said, "We wanted to create a feeling of belonging on the part of the store manager."

Klansmen Hold Protest March
NEW ORLEANS, Nov. 27 (UPI) — The Ku Klux Klan, surrounded by uniformed and plainclothes police, marched through the French quarter yesterday but avoided a confrontation with opponents by holding their demonstration two hours ahead of schedule.

"That was purely from a police request because they wanted to avoid any trouble if possible," Ku Klux Klan leader David Duke said of the rescheduling. The Klansmen were demonstrating because they claim white people "have become second-class citizens."

The Klan rally ended before the first participants in a counter-demonstration arrived. The Klan march was allowed despite heavy pressure from civil rights groups. Mayor Ernest Morial, the city's first black mayor, said while he personally opposed the Klan, the group was entitled to express its views.

6 Americans Die In Spain Crash
CADIZ, Spain, Nov. 27 (AP) — Six members of two vacationing families from Miami were killed and two injured yesterday, when a train crashed into their van at a level crossing near here, the police reported.

U.S. consular officials said that the dead were Jose and Carolina Martin and their daughter, Maria, and Alejandro, Roberto and Sergio Corrajo, whose parents were injured and reported in serious condition.

No other information about the Americans was available.

U.S. to Redesign Border Fence
NEW YORK, Nov. 27 (AP) — A proposed fence that could maintain existing benefits rather than adding new ones. This year it will be 1 out of 1 if the 7 percent guideline is rigidly enforced, union officials said.

The UAW problem is compounded because it has not renegotiated pensions since ERISA was passed in 1974, and thus must still come to grips with its funding requirements. One UAW official estimated that this could mean a 10-percent increase in pension money, without any benefits increase.

Acute for Teamsters
For the Teamsters, the problem is even more acute. One official said that the union will probably need at least 20 percent more in pension money alone, and others say that may not be enough. In addition, the union has deficiencies in its health plan financing.

The Teamsters president, Frank Fitzsimmons, has said that, after plugging funding gaps for existing benefits, there would be next to nothing left for anything else — and made it clear that he considers that "unacceptable."

Several sources suggested that the administration may be inclined to bend only enough to keep the program from shattering under one or two early blows from unions that decide the guidelines are so tough they might as well ignore them.

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| 16. Overlooking Outer-Alster Lake | <input type="checkbox"/> VIENNA |
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| 19. Krsnjavoga One | |
| 20. A short walk from La Croisette | |

Answers: Amsterdam (Rue de la Paix), Budapest (Danube), Cannes (Hyde Park Corner), Cologne (Stadtpark), Duisburg (United Nations Palace), Frankfurt (Victory Square), Geneva (Finlandia Hall), Hamburg (Vitava River), Hannover (Rai Convention Centre), Helsinki (Roman Tower), Istanbul (Rhine River), London (Portman Square), Munich (Taksim Square), Paris (Lake Maschsee), Prague (Maximilianstrasse), Vienna (Outer-Alster Lake), Warsaw (Romanian Theatre Complex), Zagreb (River Main).

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Two-Week Assignment Lasted Four Months

British Newsmen Fly Out of Angola Trap

JOHANNESBURG, Nov. 27 (UPI) — Three British television newsmen trapped deep inside Angola for the last four months were whisked to safety early yesterday in a secret air operation.

A light jet aircraft carrying the Independent Television News team on the final leg of their journey touched down at an airfield near Johannesburg shortly after midnight. Their arrival was kept secret.

L. P. Weicker Sr. Is Dead; Headed U.S. Drug Firm

NEW YORK, Nov. 27 (UPI) — Lowell P. Weicker Sr., 75, the father of Sen. Lowell Weicker Jr., R-Conn., died Saturday at his home. Mr. Weicker was a former director of Sperry-Hutchinson Co. and former president of E.R. Squibb and Sons and Bigelow Sanford Inc.

Born in Stamford, Conn., Mr. Weicker graduated from Yale University in 1926 and shortly afterward joined Squibb, which his father had built into a giant pharmaceutical concern.

During World War II, as a colonel in the U.S. Air Corps, he served as deputy director of intelligence for the U.S. strategic forces in Europe. He was awarded the Legion of Merit and Bronze Star, the French Legion d'Honneur and Croix de Guerre with palm, the Order of the British Empire, the Star of Solidarity and the Italian Grande Ufficiale al Merito Della Repubblica.

After the war, he was appointed assistant secretary general for production and logistics for NATO by President Dwight D. Eisenhower. He served in that post from 1953 to 1956.

to give them time to report their own story first.

The team, headed by correspondent Mike Nicholson, had originally gone into the Angolan bush in early August for a two-week assignment to interview pro-Western guerrilla leader Jonas Savimbi of the National Union for the Total Independence of Angola.

Within a week of their arrival, the Angolans, who learned of the team's presence, launched an offensive spearheaded by Cuban troops that effectively trapped them inside the guerrilla zone.

"They didn't leave us with much choice but to stay," Mr. Nicholson said. "We were virtual prisoners because of the situation."

To pull them out, an air shuttle flew more than 1,000 miles through

Angolan air space, which is guarded by Cuban-managed MIG fighter-bombers, then relayed them through several countries before they reached their destination.

Mr. Nicholson, cameraman Tom Phillips and soundman Mike Doyle walked off the plane. They appeared thin and wore ill-fitting uniforms the Angolan guerrillas gave them after their own clothes wore out.

The team, the first television crew to enter the guerrilla zone since Angola's civil war three years ago, said the UNITA guerrillas are still a potent fighting force with abundant arms and high morale.

The ITN crew logged more than 1,500 miles with UNITA troops and said they found the guerrillas to be heavily armed with Western

and Soviet weapons and well-supplied with food provided by truck convoys.

The guerrillas were kept on the move, Mr. Nicholson said, and his team kept pace with them, walking along elephant trails. As the guerrillas pushed into the region, he said the guerrillas faded into the bush from which they harassed the attackers' supply lines.

Often, he said, they had to dive into the bush for safety as MIGs and helicopters flew overhead searching for signs of troops.

The guerrillas told the newsmen much of their food came from South Africa, but they insisted the provisions were paid for in cash. They said they were also receiving financial and military aid from Morocco and Iran.

The UNITA forces and two other guerrilla movements have been fighting in the Angolan bush since being defeated in the civil war by the Popular Movement for the Liberation of Angola, which had the backing of Cuban forces.

EEC Acts to Improve Benefits for Women

BRUSSELS, Nov. 27 (AP) — The social affairs ministers of the European Economic Community adopted a new directive today that is designed to end, within six years, discrimination against women in pension and social security plans.

The proposal, first drawn up at the end of 1976, covers health care, loss of income because of sickness or unemployment, old age, accidents at work, occupational diseases and disability.

Unwanted Coast Guard Cutter

To Be Given a 'Decent Burial'

WASHINGTON, Nov. 27 (UPI) — The Coast Guard does not want it. Nor does the General Services Administration. The Maritime Administration wants part but not all of it.

So the Cuyahoga, the 51-year-old Coast Guard cutter that sank in Chesapeake Bay on Oct. 20 and was subsequently raised in a delicate and dramatic salvage operation, will be sunk again.

"You know the old joke about selling it for razor blades," a Coast Guard official said. "We think this is a better solution. I'd call it a decent burial."

At the request of the Virginia Natural Resource Administration, the Cuyahoga will be towed 15 miles from the Virginia capes and ceremoniously sunk. The cutter, already stripped and painted over, will join several other shipwreck hulks as part of an offshore fishing reef.

"We do not want to keep the vessel," Cmdr. Jack Goldthorpe said. "It's a liability to us."

Eleven crewmen died when the cutter collided with an Argentine freighter near the mouth of the Potomac River.

Adm. Richard Knepp, Coast Guard controller, said that the disposal plans would be presented to GSA this week in Portsmouth, Va. He said that the Coast Guard was trying to decide whether to make the ship's mast into a memorial in honor of the crewmen who died in the collision. He said that the sinking would be accompanied "by some sort of ceremony."

2 Trapped Divers Die in North Sea During Attempt to Rescue Them

ABERDEEN, Scotland, Nov. 27 (UPI) — Two divers trapped 380 feet beneath the freezing waters of the North Sea for eight hours died when their diving bell flooded as it was hoisted to the surface.

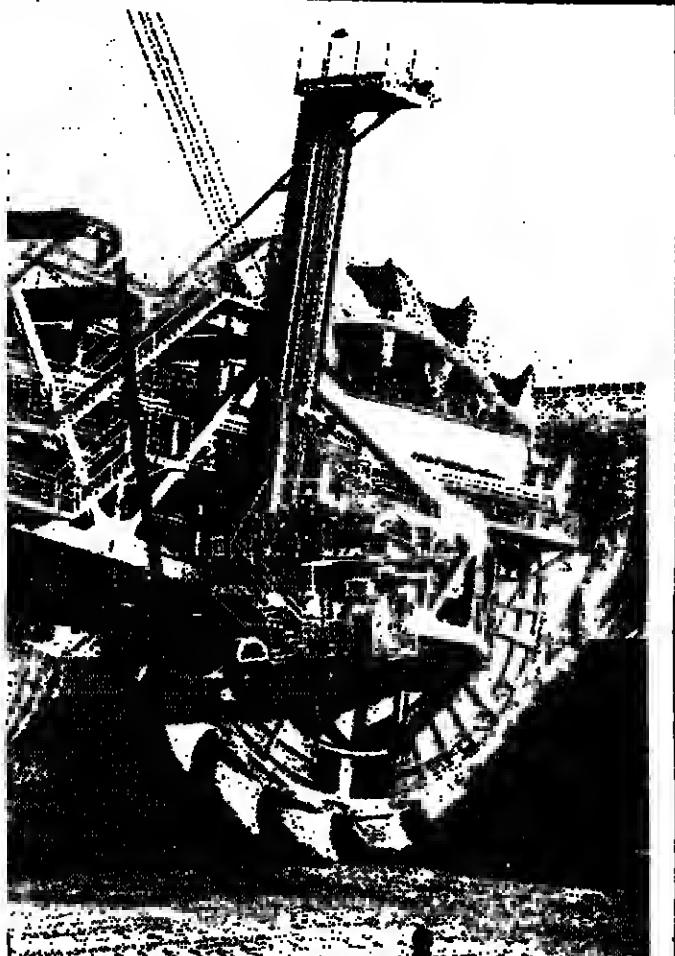
As rescuers tugged the tiny conical-shaped capsule out of the mud, the seals on the door broke under the water pressure and the two drowned only 15 minutes from safety.

The two men, Tony Prangly, 28, and Mike Ward, 25, were finishing work connecting an oil pipe to a storage tank in the Beryl oilfield 200 miles off Scotland's east coast

when the diving bell plunged onto the seabed. A squall blew the divers' support ship, Star Canopus, off course and the diving bell's lifelines were severed by an anchor chain.

The two were missing for several hours before colleagues in a mini-submarine located them, and reported them "alive and well."

A second diving bell went down and fished a towline to the sunken vessel, which was still upright, to hoist it up. But the door on the base of the diving bell must have huddled or weakened when it plummeted to the seabed. As the lift began, the door burst and water gushed in.



MONSTER MACHINE — The world's biggest excavator was put into service recently at the Hambach mine in West Germany. Measuring 220 by 84 meters, it requires five operators and can extract 20,000 cubic meters each day.

To 'Bump Off' Somebody

Thorpe Trial Figure Says He Was Offered \$30,000

MINEHEAD, England, Nov. 27 (UPI) — The man alleged to have been chosen as the killer in the murder conspiracy trial of former Liberal Party leader Jeremy Thorpe told the court today that he was offered \$30,000 to kill somebody.

Andrew Gino Newton gave testimony for the prosecution on the fifth day of preliminary proceedings against Mr. Thorpe and three other men accused of conspiracy to kill Norman Scott, the man who alleged that he had been Mr. Thorpe's homosexual lover. Mr. Thorpe also is charged with incitement to murder.

Newton, a former airline pilot, said he was first approached in February 1975 at a charity function at the Blackpool Hotel that he attended with David Miller, a man he had known for several years.

"There we met George Deakin," Newton said, pointing to one of Mr. Thorpe's co-defendants. "I had met Mr. Deakin on a number of occasions before at Miller's house in Cardiff."

"I asked him if it was true that he wanted somebody. I think 'bumped off' were the words I used," Newton told the court, explaining that he made the remark in reference to something Mr. Miller had said to him.

"Then, Newton said, he told Mr. Deakin something like: 'I am your man.'"

The matter was dropped, he said, until four or five weeks later at Mr.

Miller's house. "I told him I was still interested in the proposition. The money was discussed. He said \$15,000 (\$30,000) would be the price," Newton testified.

At the start of the trial, prosecuting attorney Peter Taylor charged that Newton had lured Mr. Scott onto a lonely moor to kill him but only shot his dog.

In March, 1975, Newton was arrested, convicted and sentenced to jail for possessing a firearm with intent to endanger life.

Mr. Thorpe has maintained his innocence in the case.

India Aide Puts Child Workers At 10 Million

NEW DELHI, Nov. 27 (Reuters) — Labor Minister Ravindra Varma admitted today there were 10 million child workers in India, but, while expressing concern, he said child labor could not be abolished overnight.

Mr. Varma, speaking in the Lok Sabha (lower house) before he passed a bill to amend the Employment of Children Act, said any legislation should be enforceable and should not add to the hardships of people who send their children to work out of poverty.

The amendment prohibits the employment of children under 16 in certain jobs, including those at ports and railroads. It was severely criticized by several members for not going further, with some demanding a total ban on child labor.

Mr. Varma said the first task was to insure that children did not work in dangerous jobs. The government may propose further legislation next year, which is International Children's Year.

United Nations studies have put the number of child workers in India at closer to 15 million, a quarter of them girls.

R. Hawley Truax

NEW YORK, Nov. 27 (NYT) — R. Hawley Truax, 89, a former chairman of the board of New Yorker magazine and one of its directors for 46 years, died Friday.

For many years Mr. Truax served as an intermediary between Harold Ross, the intransigent editor, and Raoul Fleischmann, the equally implacable publisher. From 1965 to 1969, Mr. Truax was chairman of the board. He retired in 1971.

Cardinal Trín Nhu Khue

VATICAN CITY, Nov. 27 (UPI) — The Vatican said today that Cardinal Joseph Marie Trín Nhu Khue, 79, Roman Catholic archbishop of Hanoi, died in the Vietnamese city.

Casper H. Nannes

WASHINGTON, Nov. 27 (WP) — Casper H. Nannes, 72, a journalist who was religion news editor of the Washington Star for many years, died Saturday at his home in Washington.

Jazz Trombonist Kills a Son, Self

LOS ANGELES, Nov. 27 (AP) — Jazz trombonist Frank Rosolino apparently shot and killed his 11-year-old son and critically wounded his 7-year-old son before taking his own life, authorities said today.

Mr. Rosolino, 52, and his son Justin were killed by single gunshot wounds about 4:30 a.m. yesterday, a policeman said. The younger boy, Jason, was in critical condition in a hospital with a similar wound. The police said that they found a suicide note but would not disclose its contents.

The musician had been a pioneer in the use of the valve trombone in modern jazz.

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Fashion

Western Designers Turning to Tokyo

By Hebe Dorsey
TOKYO, Nov. 27 (IHT) — Tokyo turned into an international fashion scene last week as Japanese designer Hanae Mori flew in fashion designers from five countries — in order, she said, to encourage local talent to try to establish Tokyo as another fashion capital.

On hand were designers Jean Muir of London, Gianni Versace of Milan, Thierry Mugler of Paris and Stephen Burrows of New York. The Japanese were represented by Issey Miyake (based in Paris as well as here) and by Mrs. Mori.

Other fashion-folk in attendance: French Vogue director Robert Caille, Women's Wear Daily publisher John Fairchild and Paris Chambre Syndicale de la Couture president Jacques Mouchier. Mouchier was here, in effect, to look after Madame Gres, dean of Paris couturiers and touring Japan

(for the first time) with a retrospective of her styles of the last 30 years.

Well before the fly-in, Tokyo had been internationalized: the week before, Kosita and Ottavio Missoni of Milan had held a series of fashion shows at Seibu's department store; before them Valentino was here to open his new boutique next to the Sunrose shopping area.

Chanel opened six boutiques in Japan this month, with designer Philippe Guibourge and 12 mannequins launching the line (one function was a black-tie charity affair attended by Japanese princesses Mikasa and Takamatsu).

Manufacturers are also doing their thing, with five days of collections from 33 makers at the French Fashion Center here.

Saturated
In sum, with every major (and minor) European name signed up, the scene is so saturated that even U.S. designers have prospered here in the last year. For the first time Oscar de la Renta and Ralph Lauren, as well as Burrows, are beginning to make some impact in Japan; the leading department store, Takashimaya, held a September campaign called "Love America."

The fashion waves have been traveling both ways, and in the last five years the activity between Japan and Europe has been most noticeable at ready-to-wear time — when hundreds of Japanese photographers and journalists are on the scene.

Not to mention businessmen like Yuzo Momota, whose Coronet Trading Co. is in its 26th year. He has long imported European lines of personal products and linens, but confirms the growing interest in American designers here. He is

scheduling his first trip to New York for next spring.

But that, he said, will not affect European imports, which were \$270 million in 1975 and have grown since by 30 to 40 percent each year.

Japanese women are different, he says, but they understand fashion quite well. However, maybe because the kimono mentality is not that far to the past, they are still shy — not to say conservative. Around Tokyo, the uniform is a classic blazer and skirt.

That explains the reason that the most conservative, status-symbol omelettes have no trouble selling original designs despite staggering price tags (a Mila Schon can easily cost \$2,500). Such houses as Chanel, Gucci, Andre Laug and Burberry's all have large boutiques in department stores, and sell only originals.

But other omelettes, including Chloe and Saint Laurent, are sold through licensing, which considerably lowers the prices. Even Paris-based Japanese Kenzo, whose prices are low by Paris standards, has to be made under license in order to be competitive.

Part of the reason is that the Japanese are prompt to understand and copy, and there is a group of Japanese designers who do good, trendy collections at reasonable prices. Among them are Koshino, Inaba, Matsuda and Kaneko, who all do young, avant-garde styles, very much like their elasmate Kenzo.

Japan is also an active fashion market because of the Japanese people's keen interest. Last week there was a 25,000-yen (about \$150) black-tie dinner and collection by Madame Gres. And Mrs. Mori, who held three fashion shows a day with her international designers, had little trouble raising \$10,000 for the Japanese Red Cross.

Fashion schools are proliferating in Japan, including Emoda Jacquen's, which brings over top European designers every year. The Japanese fashion press, covering both textiles and styles, is enormous — with 30 publications, including two dailies, one of which has 200,000 circulation.

According to Pierre Baudry, who heads the French fashion center here, the Paris couture houses (Dior, Balmain, Ricci) developed here first because they had the best commercial structure. French ready-to-wear has grown threefold here in the last three years.

Since 1973 some 50 fashion establishments have sprouted, including Parco at Shibuya, New Melsa at Ginza and Hanae Mori's Space in

the Junko area (comparable to Paris' Left Bank).

A handsome cubic assemblage of mirror-glass and steel, the Space, like most other Tokyo fashion buildings, is a combination of flower shop, cafe, boutiques, and restaurant. There is also an impressive "lab," with the latest sound and light equipment for fashion shows.

According to Baudry, the fashion change that has affected Japan in the last five years stems from an increase in buying power and a growing westernization that affects food and living as well as fashion.

"The Japanese emperor," he notes, "now sleeps in a Western bed and has tea and toast for breakfast. The Japanese breakfast of fish, seaweed and bean soup would take him an hour."

A true Frenchman, Baudry also says that "when I arrived there were three French bakeries in all of Japan. Now you can find French bread all over the country."

But if European fashion is at its peak in Japan today, it is still true that the country is dominated by the American way of life. U.S. fast-food chains are well represented, and Levis has, like everywhere else in the world, sewed up the youth market here.

Dance

Paris Ballet Livened by London Choreographer

By David Stevens

PARIS, Nov. 27 (IHT) — Kenneth MacMillan, the chief choreographer of London's Royal Ballet, has made his entry into the Paris Opera's dance repertory with a program of three of his works — something old, something new, something borrowed, and a few blue moments too.

In this case, the old was best. MacMillan created "The Song of the Earth" in 1965 for the Stuttgart Ballet and later for his own company in London, set to Mahler's symphony for orchestra and solo voices of the same name. It is widely regarded as the choreographer's best ballet, with its free use of classical movement and its imagery of death as an omnipresent but consoling figure, and with it the Paris repertoire has made a valuable acquisition.

Figure of Death

The figure of death the companion, here called the Messenger, gained particular impact in a performance of almost weightless grace by Patrick Dupond, one of the Paris troupe's best

bets for the future. He was strongly complemented in the other principal roles by Wilfride Piolet as the Woman and Jean Guizerix as the Man. Nicholas Georgiadis' simple backdrop and plain-colored lights provided the unobtrusive decor.

The new item was "Metabolism," created for Paris to the brief but powerfully concentrated music of the same name that Henri Dutilleul composed for the Cleveland Symphony 15 years ago. To this non-programmatic score, MacMillan has devised a murky but ghastly scenario that will doubtless enhance his reputation as a Freudian choreographer.

Evening Dress

In Barry Kay's set there is a table at which are seated a woman and five men in evening dress, the latter looking a bit like the macabre statesmen of Kurt Jooss' "Green Table" taking a night off from warmongering. Behind the table is a semi-circle of mirrors, and the backdrop is a projection of an X-ray of a human torso.

The ensuing dance seemed to represent a scene of rape and cannibalism, although its violent and agitated movements often had a comic, cabaret air. (As a possible clue to the scenario, the program carries an excerpt from Oscar Wilde's "Ballad of Reading Gaol": "Yet each man kills the thing he loves...") The generous applause it got at the premiere Thursday must have been for Dominique Khaloui, striking in a skintight, wine-colored costume and brilliant in the contortions of her role. Patrice Bart was underemployed as the principal aggressor.

MacMillan and Kay borrowed quite a bit from Paris ballet history for "The Four Seasons," a campy sendup of court ballet given in a version slightly revised from that done in London three years ago. The fun-loving gods and goddesses were got up in the plumed headgear and other paraphernalia of the Louis XIV era, while the music was what Verdi wrote for the obligatory ballet in his "Sicilian Vespers," commissioned by the Paris Opera in 1855.

There were a lot of chariots and plastic bubbles; some good dancers were lost in their over-

done costumes, and the labored funmaking reached a point of no return when Bacchus was whisked onstage aboard a wagon in the form of a phallus.

Musically the evening was a superior one, with Stewart Kerrshaw getting strong playing from the opera's orchestra. Jocelyne Taillon and Poyo Garmez were the vocal soloists in an honorable account of Mahler's work, the Dutilleul score got a performance of considerable intensity, and it was pleasing to hear the Verdi ballet music, which is almost never included in modern productions of the opera for which it was written.

The Paris Dance Festival, which last week took a trip into exotica with the delicate nuances and sumptuous costumes of the Japanese Bujo company, and into the "post-modern dance" embraces of Douglas Dunn and Dancers, winds up its season with two weeks of Rudolf Nureyev. He appears this week at the Theatre des Champs-Elysees with his ad hoc company of "Friends" before being joined by the Murray Louis Dance Company.

Waverley Root

The First Fish-and-Chips and Other Seafood Catches

The first written information we have about fish comes from Asia Minor — more than 50 different kinds are named in Mesopotamian inscriptions antedating 2300 B.C.

they did so with a vengeance. Locusts drilled a tunnel through the coastal cliffs at his villa near Naples to let water into a series of tanks with muddy, sandy or rocky bottoms and planted with different kinds of seaweed to please every species of fish. "Xerxes in a toga," Pompey sneered, but he begged fish from Lucullus all the same.

The most impressive department in Trajan's Market, built in the 2d century A.D. and not equaled since, was that devoted to fish on its top floor, at the height where the aqueducts entered Rome and provided water for the tanks in which inland fish were kept alive, while cistern carts from Ostia provided salt water.

Cistern ships carried live fish from North Africa, the Near East, the Red Sea, the Indian Ocean, and from the interior lakes and streams of Persia. Water-filled carts crossed Gaul carrying live salmon from the Rhine, trout from the Vosges, and saltwater fish taken off the coast of Brittany. Dead fish traveled in wagons filled with snow or ice, replenished from silos at frequent relays.

Meanwhile, Chinese traveling salesmen of the 2d century B.C. were selling dried fish throughout the empire under the Han dynasty. When Marco Polo reached China, he was impressed by the fish market of Hangchow, where every day "a vast quantity of fish is brought upstream from the ocean, a distance of 25 miles. In a few hours the whole lot has been cleared away."

Enormous quantities of fish were consumed in the Middle Ages, partly because of the rigorous rules of the Roman Catholic Church — nearly half the year was meatless. Heavy demand for fish accounts for some of the vagaries of history. Norman sway from Scandinavia to Sicily resulted not only from the quality of Viking ships or the valor of Viking warriors, but also from the fact that their salt cod gave them imperishable rations for long voyages.

Fried Fish in Ur

The first written information we have about fish comes from Asia Minor — more than 50 different kinds are named in Mesopotamian inscriptions antedating 2300 B.C. In the city of Ur, fried fish were sold to passersby from street stalls, the distant precursor of the fish-and-chips shops of England.

The Egyptians ate eel, mullet, perch and tigerfish, and doubtless all the fish of the eastern Mediterranean were available to them. Apparently they did not limit themselves to fishing for food and commerce; Some carvings show rods and line being handled by persons dressed in the fashion of the well-to-do, suggesting that sport fishing had already begun. After all, it must have been fishing for fun in which Antony and Cleopatra were indulging when she hung a salt fish on his line.

Early Cretans took tuna, perhaps with the labyrinthine traps still in use in the Mediterranean. Aristotle named 110 species of saltwater fish a thousand years before the listing would reach 150, though by then it included Atlantic fish as well. As early as 500 B.C. the Athenian fish market was rich in gray and red mullet, turbot, swordfish, tuna, sea perch, conger, moray and skate. When a bronze cylinder was sounded. Strictly fresh fish were available.

The Romans learned to appreciate fish from the Greeks — and

they do daily flout us... at sea."

As a result the Dutch were in the rich Spice Islands before the English. Elizabeth I recognized the importance of a fishing fleet as the basis for a navy. She multiplied official fast days and enforced them strictly to encourage fishing (and to conserve meat).

Most of the fish eaten in medieval and Renaissance times was served fish by wrapping them in leaves and drying them in ovens. In Mexico, the Aztecs raised fish in the lake surrounding what would become Mexico City; in Peru, Inca rulers had relays of runners carry fish from the Pacific to Cuzco, 130 miles inland and 11,380 feet up.

On North America's Pacific coast, fish and shellfish constituted three-quarters of the food of pre-Columbian Indians. On the Atlantic, where Captain John Smith found "an abundance of fish, lying so thick with their heads above the

water, as for want of nets... we attempted to catch them with a frying pan," some tribes were skilled broilers of fish, while the Creeks and Seminoles steamed them with fruit. To the north, Francis Higginson wrote in 1630, "The abundance of Sea-fish is almost beyond believing, and sure I would scarce have believed it except I had seen it with mine own eyes." Indians had long been taking fish by highly sophisticated methods, as we know from the excavation near Boston of an elaborately woven weir carbon-dated at 2000 B.C.

The Pilgrims at first were indifferent fishermen, but salt cod eventually became the mainstay of the Massachusetts economy and an important element in the slave trade. But the New England fishing industry never recovered from the Revolution — its peak was registered about 10 years before the Declaration of Independence.

And in Gloucester today, the codfish processors buy their raw wares from Polish trawlers fishing off Massachusetts. U.S. fishermen cannot compete with them.

Waverley Root

Records

Some of the Good Sounds of '78

By Michael Zwerin

PARIS (IHT) — As the end of the year approaches, here is one listener's choice of some of the top pop and jazz records issued in 1978.

Ron Carter, "A Song For You" (Milestone 9086, European distribution by Music): A good jazz record for people who say they don't like jazz. Ex-husband Miles Davis. Carter has always made his instrument sing in a special way. He is now doubling on piccolo bass, a cello-like instrument which sounds particularly beautiful on "Some Day My Prince Will Come."

Larry Coryell and Philippe Catherine, "Splendid" (WEA Elk 5208): Two of the best guitarists in the world; lucid musicians with large vocabularies having bumbling conversations. Coryell, the better known of the two, is often content to play under Catherine, but it is in any case difficult to separate them. Solos and accompaniment flow together as though played by one guitarist with four hands.

McCoy Tyner, "The Greeting" (Milestone 9085 usidisc): Strong African-based rhythms with honest and interesting free improvisation above them, particularly by George Adams on reeds and Tyner himself. Tyner grew to prominence as John

Coltrane's pianist in the '60s. Now he is becoming a prominent leader. Kenny Wheeler, "Deer Wan" (ECM 1102): Wheeler is a bright new trumpet star with a fat sound, good range and flashy technique. His achievement is controlling all of this in favor of lyricism and taste. He is helped by a strong rhythm section consisting of John Abercrombie, guitar, Dave Holland, bass, and Jack DeJohnette, drums.

Rene Urtreger, "Recidive" (Sonopresse 064-16626): Urtreger is a keeper of the flame, like Barry Harris a guardian of Bud Powell's relevancy. He seems to be saying, "See, if I can go on playing bebop piano this passionately, the least you can do is listen."

Weather Report, "Mr. Gone" (CBS 82775): John McLaughlin, "Electric Guitarist" (CBS 82702): "Jazz-rock" is a treacherous territory somewhere between creativity and the marketplace. These two albums touch both bases about as well as possible. Weather Report concentrates less on improvisation coveys, but Joe Zawinul's tunes are often exquisite, and Jaco Pastorius is the Paganini of the bass guitar. And McLaughlin is an alchemist who can transmute any material he touches.

Rolling Stones, "Some Girls" (RS 2C 068, 61.016): Best Stones album in years. Swinging, funky, funny, poetic at times, this material is helped considerably by the extraordinary harmonica player Sugar Blue.

Maxime Le Forestier, "Number 5" (Polydor 2473.089): Le Forestier is among the more interesting of the new generation of French pop singers. He works in the tradition of Brassens and Brel and, like them, his chansons are neither superficial nor pretentious.

Ryo Kawasaki, "Nature's Revenge" (MPS 0068.191): Kawasaki played guitar with Elvin Jones for several years. He is extremely talented with a wide range of reference including funk, mainstream, free jazz and Villa-Lobos (Prelude No.2). The album features first-rate saxophonist Dave Liebman, who has arrived at a personal distillation of Coltrane's style.

Arts Agenda
Beethoven's "Fidelio" will be given on Dec. 3 by the Grand Theatre of Geneva in a staging by Claus-Henry Drese and with sets and costumes by Josef Svoboda and Jan Skaliely. Hans Zender will conduct a cast headed by Robert Knie in the title part. Jutta-Renate Ilhoff, Hermann Winkler, Leif Roar, Karl Ridderbusch, Franz Crass and Douglas Ahlstedt. Other performances are scheduled for Dec. 5, 6, 10 and 12.

Natalya Guman, the noted Russian cellist whose appearances in the West have been rare, is scheduled to give her first performances in Vienna since 1959, when she won an international youth competition there at the age of 17. On Dec. 7, Guman, a former pupil of Mstislav Rostropovich, will play at the Konzerthaus in the Haydn Concerto in C and in Prokofiev's Symphony Concertante for cello and orchestra, with the Vienna Symphony Orchestra under Anton Nanut. On Dec. 10, with pianist Vasil Lobanov, she will play works by Beethoven, Brahms, Schumann and Shostakovich, also in the Konzerthaus.

Malraux Honored
PARIS, Nov. 27 (IHT) — Mayor Jacques Chirac, has renamed the Place du Theatre Francaise the Place Andre Malraux in honor of the famed author who was Charles de Gaulle's Minister of Cultural Affairs from 1959 to 1968. The place faces the Comedie Francaise. Malraux died in 1976.

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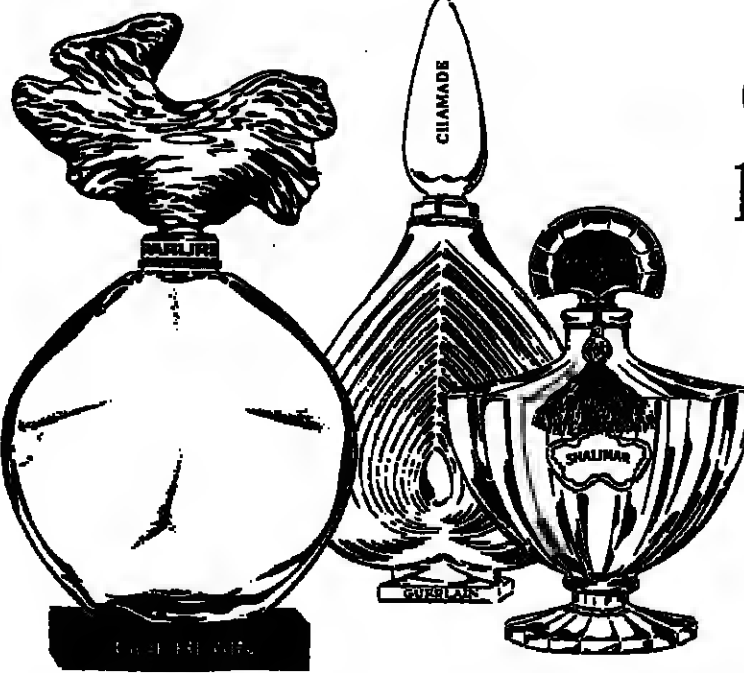
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TWO

The Euromarket — 1978

Foreign Bonds Top Euromart Share of International Issues

Yankee Bonds Expected To Post Another Decline

By William Castle

NEW YORK (IHT) — Unsettled by foreign exchange market uncertainties and rising interest rates in this country, new issues of foreign bonds — the so-called Yankee bonds — in the United States this year are likely to post their second straight annual decline.

After a burst of fairly heavy activity around the turn of the year, new issues thinned out. The 1978 rate of new offerings has fallen well behind the 1977 pace.

Statistics collected by Salomon Brothers show that foreign public bond issues in the United States, including those of Canadian and international agency borrowers, to the first 10 months of this year totaled \$4.19 billion, an average of \$419 million a month, down from \$452 million a month for all 1977.

With the exception of activity planned for the lively Canadian bond sector, "I don't know anyone who has a Yankee bond even on the back burner," said one investment banker. Thus it appears that 1978 new-issue activity will be down from the \$5.42 billion of 1977, the record \$6.3 billion of 1976 and the \$5.7 billion of 1975.

This would make 1978 the least productive year for new Yankee bond issues since U.S. authorities opened up the market for growth by removing the Interest Equalization Tax (IET) in 1974. The IET was a capital outflow control that in effect prevented some supranational agencies as well as borrowers from many countries from raising funds in the U.S. bond market. The first foreign bond issue made possible by the ending of IET took place in December, 1974.

Different Definitions

Definitions of the Yankee bond differ. How many foreign bonds can dance on the head of the Yankee pin is an issue that investment bankers have not settled to everyone's satisfaction. By and large, purists disqualify bonds of those countries and institutions, including Canada and the World Bank, that were not subject to IET. There is also a question about whether bond issues of U.S. "shell" companies, most of whose assets are located outside the United States, qualify.

However, some bankers define the term Yankee bonds as synonymous with foreign and international public bond issues in the United States. For the sake of simplicity, this definition is used here.

Analysts ascribe the decline of Yankee bond issuing activity this year to the dollar's sharp international decline prior to the U.S. administration's Nov. 1 currency-support package as well as to relatively high U.S. interest rates.

John E. Carney Jr., senior vice president at Lazard Freres & Co., noted that the dollar's long slide led many potential borrowers to the conclusion that the dollar was "oversold" and due for a sharp rebound. The possible prospect of borrowing cheap dollars and later on repaying "dear" dollars deterred some issuers, he indicated.

Turbulence on the exchange markets also affected potential investors in Yankee bonds, said Ronald M. Stuart, vice president at Salomon Brothers. Noting that foreigners make up a significant portion of the buyers of Yankee bonds, Mr. Stuart said that the dollar's extreme weakness left these potential investors with little appetite for dollar-denominated securities.

Most Favorable Rates

With regard to interest-rate factors, Mr. Stuart commented that foreign borrowers have access to many markets outside the United States and tend to raise funds where rates are most favorable. Yen, Deutsche marks, guilders and Swiss francs have been available at rates "hundreds of basis points"

The way the Eurobond market works is far from ideal. As conditions have become tougher, the market's faults have become more apparent. The faults have also become much harder to ignore now that foreigners can — and increasingly do — raise money directly on the New York bond market by issuing what are known as Yankee bonds. Nearly half of all dollar issues by international borrowers this year have been in New York.

Eurodollar Bond Market in Dry Period

By Anne Segall

LONDON (IHT) — The pipes are beginning to squeak in the Eurodollar bond market.

Only a year ago, everyone was trying to get into the act. Every month \$2 billion of new bonds were being issued, and borrowers were paying out between \$45 million and \$50 million a month in fees. For U.S. investment banks, used to a commission of 1 percent or less at home, European fees of 2-2½ percent looked mouth-watering.

Bond house directors, like everyone else, grumbled about their overheads in London, but they slept easy at night. There was so much money about that most could pay their way.

Now, however, the market has dried up. Investors have been going liquid against a background of rising U.S. interest rates and a weak dollar. With short-term rates now substantially higher than long-term rates, it actually pays them to play safe. There have been virtually no new issues — and no fees — since the summer. To make matters worse, bond houses have had to give up a large proportion of their commissions in the form of discounts to investors to incite buying.

But bond houses have more to worry about than just loss of income. The way the Eurobond market works is far from ideal. As conditions have become tougher, the market's faults have become more apparent. The faults have also become much harder to ignore now that foreigners can — and increasingly do — raise money directly on the New York bond market by issuing what are known as Yankee bonds. Nearly half of all dollar issues by international borrowers this year have been in New York, compared with just one one-third last year. Comparisons between the

two markets therefore become inevitable.

Europe compares badly, not so much for the borrower as for the investor and the bond houses. For the borrower, the cost of making an issue in either market works out roughly the same. The score is as follows:

Interest

Higher commissions in Europe add about 26 basis points to the cost of making a five-year issue on a coupon of, say, 8 percent. On the other hand, interest in Europe is payable annually, rather than semi-annually as in United States. That adds around 18 basis points to the relative cost of a Yankee issue and leaves the U.S. market with a net advantage in pricing terms of just eight points. But then, out-of-pocket expenses such as legal fees and printing costs tend to be higher in the United States, and the time it takes to get an issue registered with the U.S. Securities and Exchange Commission can be costly, especially when market conditions are volatile. So on balance, there is little to choose in pure cost terms between the U.S. and European markets.

Borrowers are also tempted into Europe by less tangible factors. The European market is not nearly as discriminating as the U.S. market, so non-prime-rated borrowers can sometimes get a better deal — or at least a warmer welcome — in Europe. Lately, European bond houses have become an desperate for business that they have been prepared to offer borrowers cheap money by underpricing issues and making it up to investors by giving away part of their commissions in the form of special discounts.

In the United States this would be strictly against the rules. The commission for selling bonds is usually just 0.6 percent. Bond dealers who are invited by the man-

agers of an issue to join the selling group can only "re-allow" 0.25 percent as a discount to other professional dealers. If they sell directly to the public, they must ask the full issuing price, at least while the issue is in syndication. The aim is to ensure that issues get properly priced in the first place, that they are marketed in an orderly and disciplined fashion and that only dealers with genuine placing power come in as salesmen.

Unless market conditions change unexpectedly in the middle of an issue, the price should remain stable in the secondary market once the syndication process is over and the bonds are "free to trade." Investors can feel confident that they are buying their bonds at an appropriate price and that they will be able to sell them with reasonable ease should they want liquidity at a later stage.

Issues in Europe

Not so in Europe, where issues now almost always fall to a discount in the secondary market and where there is often an overhang of unwanted bonds for several weeks after an issue. The fault in Europe is with a commission structure that not only gives 1½ percent out of the 2½-percent overall commission to the bond salesman but permits them to "re-allow" the full amount to any buyer, whether a professional dealer or not. Bond houses without any real placing power are then happy to pocket the 3/8-percent or 1/2-percent underwriting commission and dump the bonds they have been allocated at a discount. Often the lead manager of an issue is forced to buy in unwanted bonds that are hanging loosely over the secondary market to prevent an issue becoming a "flop," so the job of finding genuine buyers devolves ultimately on him.

It is difficult, moreover, to detect

Flight Out of the Dollar Stalls Eurobond Activity

By Carl Gwartz

PARIS (IHT) — The U.S. decision to mount a \$30 billion rescue package for the dollar shattered whatever illusion still lingered that the world was indefinitely willing to go on holding ever increasing amounts of dollars.

The rescue operation itself was proof that the rest of the world was at its limit. The question now is whether the recent enormous private and official shifts out of the dollar represent an irreversible process of portfolio diversification or whether these funds will move back into dollars in coming months as (and if, some would say) the currency recovers.

The "underlying assumption" of U.S. policy, Undersecretary of State Richard Cooper told a foreign exchange conference last week, is that this diversification is a temporary phenomenon and will be reversed as the nation's inflation and current-account deficit are brought under control. He believes that other financial markets lack the openness and depth to support such a shift.

But many analysts question whether, with the world evolving into currency blocks — the Deutsche mark in Europe and the yen in Asia — and the dollar in recent years yo-yoing inversely to the ups and downs of the U.S. economic performance, the diversification witnessed in the last quarter is not permanent. Such a development would not necessarily impede a recovery of the dollar on the foreign exchange markets as the "hot money" held offshore — which moves in response to interest-rate and foreign-exchange developments — dwarfs the pool of investment funds.

So far this year, the volume of Eurobonds is down 21 percent from the \$15.42 billion floated in the period a year ago. But the volume of DM-denominated Eurobonds, up 25 percent from a year ago, accounted for 36 percent of the total, up from 23 percent. Including foreign bonds sold in Frankfurt, the mark accounted for almost 22 percent of total international issues this year, up from 19 percent in the year-earlier period.

With actual market conditions being what they are, it is unlikely that the coming months will be a fair test of investor attitude toward the dollar. It is widely assumed that the Federal Reserve's tightening of monetary policy has not yet run its course and that short-term interest rates have yet to peak probably some time in the first quarter.

As typically happens in such periods, there is an inverse yield curve with short-term rates responding to official pressure, well over yields available on bonds. The six-month Eurodollar rate is currently around 12 percent. But as the tight money conditions are not expected to last indefinitely, the yields on five- to 10-year Eurodollar bonds range from about 9.2 percent on five-year paper to 9.6 percent on long-term issues. This means that a considerable amount of funds that might move into the bond market is sitting short term, although it must be noted that dealers report institutional investors have begun buying bonds on the secondary market in lock into high yields in the belief that further increases in yields will not be substantial.

But bonds present less of a problem.

The major impediment to portfolio diversification, however, is the availability of non-dollar paper. An Arab banker, for example, notes that Mideast investors wanting to make equity investments are virtually barred from non-U.S. markets. "Large orders, easily absorbed on Wall Street would appear massive in the smaller European markets and trigger a political reaction," he comments.

But bonds present less of a problem.

Less of a Problem

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But bonds present less of a problem.

Third World Is Increasing New Issues of Eurobonds

By Brian Thompson

LONDON (IHT) — The less developed countries (LDCs) that are not members of the Organization of Petroleum Exporting Countries are expected to have a combined current account deficit of some \$25 billion this year, on top of \$21 billion last year and \$25.5 billion in 1976. The financing needs of the LDCs are more pressing than those of the industrial countries, which as a group should be back in surplus this year, and of the OPEC countries, whose surplus will be substantially reduced but still healthy.

The LDCs are most in need of alternative financing routes, such as the Eurobond market. Yet their very need makes the prospect of their borrowing on a large-scale through bonds unattractive to investors. LDCs have traditionally had to rely on the syndicated Eurocredit market for the bulk of their commercial overseas borrowing.

Compared with the Eurocredit market, the Eurobond market is more fussy about the quality of the name that is receiving its funds. For the bond investor — typically a well-to-do individual or a conservative institution like a pension fund — a high degree of security is as important as a good yield.

Investment in a Third World country — even with the government itself as the borrower — is

seen as inherently less safe than lending to a sovereign European borrower, a supranational body like the World Bank or a multinational corporation. And less adequate data on LDC economies would often make it difficult to satisfy standards of disclosure of information required by stock exchanges that list bonds.

Nevertheless, the volume of new issues floated by LDCs in the past 18 months or so has risen, helped by the continuing abundance of liquidity in international banks that has spurred the search for new assets.

According to the European Investment Bank's statistics, the proportion of new issues of public international bonds (foreign bonds, as well as Eurobonds) made by LDCs averaged 10.5 percent of the total in the 18 months from January, 1977, to June, 1978. This was well up on the 4.5 percent recorded in 1976, although still tiny compared with the proportion for industrial countries of 81 percent in the first half of this year and 73 percent in 1977.

The figures for LDCs exclude the oil-exporting countries, whose own recourse to the bond markets has been rising. From only \$67 million in 1975, this borrowing swelled to \$768 million last year and a provisional \$993 million in the first three-quarters of 1978, according to Morgan Guaranty figures. For non-OPEC LDCs in these three quarters, Morgan Guaranty estimates borrowings through international bonds of \$2.26 billion, out of a total of \$24.65 billion, compared with \$1.74 billion out of \$25.6 billion in the same period of 1977.

For LDCs, the attractions of borrowing via Eurobonds are obvious. Maturities — at least until recently — have tended to be longer than in the Eurocredit market, allowing bumps in debt repayments to be ironed out. The fixed rate of

interest against the floating rate of the syndicated credit market permits more refinement in the pattern of debt servicing. There is more prestige attached to borrowing in the Eurobond market because of its greater sophistication. And a largely different set of final investors is reached.

Above all, a Eurobond issue is generally cheaper than a syndicated credit, especially now when the six-month London interbank offered rate (Libor) — the benchmark for Eurocredits — is at 11½ percent and Third World borrowers in the Deutsche mark sector of the Eurobond market can command coupons of 6-7 percent.

Obviously, a recovery in the dol-

lar and a corresponding reaction from the mark could make the advantages less clear during the lifetime of a seven or eight-year bond launched this year. But at the moment, the drawbacks of bonds (which also include higher fees than on credits and the smaller amounts available) are outweighed by the advantages.

The majority of Third World names that manage to float Eurobond issues are from the higher-income countries: Brazil, Mexico, the Philippines and Argentina. These are the LDCs that have already tapped the syndicated credit market for large amounts. Latin American borrowers have been especially active this year.

Deutsche Mark

With the Eurodollar sector of the market dead, these countries have turned, as other borrowers have done, to the mark sector, where the lower coupons available mean an attractive yield can be offered by an LDC to the investor without pushing the costs too high for the borrower. Venezuela, Mexico, Trinidad and Tobago, the Philippines, Argentina, Brazil, Indonesia and development banks from places like Algeria have all been in the DM sector this year.

The response to some of them has been warm. Oil-exporting Venezuela's 200 million DM issue

Names from Panama, the Philippines, Mexico, Algeria, Morocco and other well-borrowed LDCs have been quick to take advantage of opportunities to borrow in Arab currencies (the Kuwaiti dinar, the Bahraini dinar and the Saudi riyal). Kuwait has a growing secondary market in its dinar bonds. Maturities have been stretched to 12 years but, as with all borrowings in Arab currencies, a considerable exchange risk has to be borne.

Euromarkets

Floating Rate Notes: Increasing Sophistication and Maturity

By James Monroe

LONDON (IHT) This year has proved to be the year when floating rate notes (FRN) really came of age: it may also prove to be at least a temporary turning point for the sector's fortunes.

Issues of FRNs so far this year have substantially exceeded the total for 1977. The second and third quarters alone topped the \$1.7 billion raised last year.

It was in the late spring this year, in anticipation of rapid increases in U.S. short-term rates, that attention in the bond market focused on floaters. The volatility of rates through the summer, as well as the realization that the hike in the dollar rate was to continue well into 1979, gave rise to frantic activity. In the traditionally quiet month of August, there were 14 FRN offerings totaling \$800 million; in the previous month, half the funds raised in the bond markets were through floaters.

The lion's share of the business has gone to the same top four houses as in 1977: Credit Suisse First Boston, European Banking Co., Orion and Banque Nationale de Paris. CSFB alone managed issues totaling more than \$0.5 billion in the first nine months, a prodigious performance that more than tripled the funds raised in the same period last year by the top manager, European Banking. By the end of September, more than 14 houses had managed an issue or issues worth more than \$100 million as against just six houses in 1977.

It is only at the top of the second division that the pecking order has changed: First Boston (Europe), Chase Manhattan and Country Bank have all moved sharply up the league tables, displacing most notably Credit Commercial de France and Commerzbank.

Sophistication

But it is not only the growth of the sector that has been testing the issuers. Their ingenuity has been tried by the increasing sophistication and maturity of the sector. A wider range of instruments, in terms of the type of borrower using the market and in terms of the notes themselves, has been made available to a market that with few

ISSUES OF FLOATING RATE NOTES

Year	Quarter	In Millions of Dollars
1977	1st	573
	2nd	430
	3rd	325
	4th	325
1978	1st	500
	2nd	725
	3rd	1010
	4th	200-300*

* = Estimate

exceptions has been happy to absorb the heavy program of new issues.

This has been due to a number of factors: the clear trend in interest rates, the obvious attraction of an investment tied to short-term rates in a rising market, and the perception that because of this floaters would be less volatile and more marketable than straight issues.

The most obvious new characteristic of the market has been the trend towards nonbank borrowers. The \$100 million issue by Offshore Mining Co., under a New Zealand government guarantee, was a notable example.

Spreads Reduction

Second, maturities have grown longer as the year progressed, with the \$50 million floater from Caisse de Co-operation Economique, with its 20-year terms, setting a new standard.

Third, the introduction of an amortization schedule for some FRN issues has solved one of the immediate drawbacks that had begun to concern banks buying these instruments. The increase in stocks of low margin yielding FRNs held by the banks could, it was thought, overhang the market at a time of improving margins. The amortization schedule will make floaters even more comparable with syndicated credits and reduce this potential drawback.

This obvious comparison with the syndicated credit market explains the other notable trend — the reduction of spreads. Over-enthusiastic pricing, given the volatility that has occurred in the market as a whole, has occasionally backfired. For instance, the 15-year

floater issued by Chase Manhattan in July carried a margin of only 1.78 percent over the London interbank offered rate (Libor). Priced at par, the issue was trading a few days later in the secondary market at 98 1/8 percent in spite of attempts by the bank's issuing houses to stem the tide.

The reduction in spreads has not been matched by a reduction in issuing fees, a point that has caused some disagreement in the market between the borrowers and the underwriters. However, as with the syndicated credit markets, issuing houses believe that this reduction will only be a matter of time.

Apart from these minor difficulties, the sector has had — until the troubles of the dollar — a smooth ride, especially in comparison with the straight dollar market. But the dollar problems and the current prospects for currency and interest rates in light of the measures taken by President Carter suggest that the bloom is off the rose.

Although there is wide disbelief in the pronouncement of Federal Reserve Chairman William Miller

that short-term interest rates would peak before the end of 1978, the market expects that peak to occur during 1979, probably in the first half of the year. The rapid rise in short rates has produced the abnormal situation of an inverse relationship between yield and maturity: this has been a boon to floaters because their yields are tied to short-term rates even if they share other advantages of long-term instruments. Again, the market believes that this inverse yield curve will disappear during the coming year and a more normal relationship will be established once more.

Although FRNs give investors and issuers paper that does not involve taking interest-rate exposure, they are an instrument whose attractions are clear in a rising interest rate market but are at best opaque when interest rates turn — the reverse of gilt-edged stock. Hence the view taken by one bond fund manager in London, and shared by others, "Once rates have peaked, there won't be a single buyer on the market," he argued. "At the same time there will be a flood of paper coming from investors

concerned about being locked in. The reputation of the sector will decline as fast as the prices; it will be a mini-Herstatt."

"Saturated Demand"

A second negative argument is that the level of issues in 1978 has been excessive, even if the interest-rate argument is discounted. "There's only so much demand for floaters, and it's largely been saturated now. When this is realized, the glamour will fade," a New York bank economist explained.

Undoubtedly, what has upset issuers and investors alike has been the failure during the recent dollar crisis of floaters to live up to their reputation of being an island of stability in any storm. It is this that, in the long run, may act as the real constraint on the sector's growth. As Kidder Peabody noted in London during the week of the dollar crisis last month, "FRNs have been popularized as a super liquid sector. Certainly this is no longer the case. Recent issues have been discarded in the market at fire-sale prices." Indeed, during that week

new FRN issues fell by as much as four points, and there were rumors that marketmakers were no longer prepared to trade.

Investors, it appeared, were placing their funds on the deposit market in preference to holding a bond, even a floater, where there was risk of capital loss.

However, the FRN sector held up at least as well as the straight dollar sector to the onslaught of the dollar crisis, the interest-rate hike and the threat of the United States borrowing up to \$10 billion. A straw poll among investors suggests that the doom merchants are in a minority and that most holders of floaters will bang on even when interest rates turn.

Many issuing banks argue that they have taken the notes onto their books and that they treat them just as they would syndicated credits, with no intention of selling before maturity. "Most of our lending is variable rate money," explained one of those polled. "I see no reason why we should treat floaters any differently from other loans." The rise in the number of nonbank borrowers will encourage this perception of the instrument over a period of time.

The summary view of the poll was that while the level of issues would almost certainly slow next year, both in absolute terms and as a proportion of the total borrowing in the dollar bond market, the sector would remain orderly. The tendency towards longer-term issues would continue as well as the trend towards sovereign and corporate borrowing on the market.

"Borrowers like to have a portfolio, just like investors. It's a logical way to reduce risk," said a corporate finance director of a merchant bank. "The move to floaters by borrowers other than the banks has only just started. An interest-rate downturn will slow the momentum — but not stop it."

What was stressed was the new maturity of the FRN market. Floating rate dollar issues have accounted for twice the level of straight issues in the past three months. "You can't pretend any more that it's a quick that will dry up and go away," was one comment. "The market will have a patchy time, but it's here to stay."

Currency Fluctuation Is Causing Early Redemption

By Bill Peters

LONDON (IHT) — The swift development of the Eurocurrency market in the early 1970s opened to corporate treasurers worldwide a broad range of seemingly advantageous borrowing opportunities.

No longer were they hemmed in by the constraints of their respective capital markets. The Eurocurrency market held out a degree of choice unknown up to that time for the typical medium-to-large company in need of cash and possessing the necessary borrowing credentials.

The borrowers had not, however, counted on intervening currency fluctuations. The magnitude of these fluctuations has been such that many Eurocurrency borrowers are redeeming their debts early.

Lured by the many potential advantages of the Eurocurrency, corporate borrowers from around the globe flocked to the centers of

banking expertise in Europe in search of relatively low interest rates and ample capital funding.

Domestic capital markets in the late 1960s and into this decade had been steadily overwhelmed by the borrowing demands of national and local governments, which continually required ever larger funding for their burgeoning budget deficits. As the costs of new social spending programs swelled, governments could always assure themselves of funding by either printing more money or promising high rates of interest. Corporate borrowers, on the other hand, were crowded into a corner, or, in the case of Britain, shoved out of the domestic bond market altogether.

The Eurocurrency, however, centered in Switzerland and Luxembourg at the time, offered a supranational venue for all borrowers — corporations "crowded out" of their local capital markets, less developed countries whose domestic

markets were incapable of servicing their needs and multinational agencies, such as those created by the European Economic Community, with no real domestic market of their own. As the Eurocurrency is not subject to the monetary or fiscal whims of any government, the mechanism of the marketplace is able to function more freely and efficiently than domestic markets. Indeed, the journey into the Eurocurrency for many borrowers might have been a smooth one but for the pitfall of currency fluctuations.

The introduction of freely floating exchange rates in 1973 has cost many Eurocurrency borrowers dearly, and the degree of exchange rate fluctuation over the past five years has more often than not offset any interest rate advantage that borrowers originally sought. U.S. companies, for instance, at the end of 1973 faced bond yields on long-term Eurodollar issues of 8.30 percent against 6.90 percent on issues

denominated in Swiss francs, or an annual differential of 1.40 percentage points. Extended over the past five years that has meant an interest rate advantage of roughly 7.0 percentage points. Unfortunately for those who were tempted to take advantage of this saving on interest costs, the dollar has depreciated by 50 percent against the Swiss franc over the same period.

A similar situation exists with the Deutsche mark, against which the dollar has depreciated 30 percent in the same period.

Probably the worst hit among Swiss franc and Deutsche mark debtors have been the British companies, due to the sharp deterioration of sterling in recent years. The pound, for example, has been about halved in the past five years against the Swiss franc, purchasing about 3,260 francs now compared with 7,517 francs on Dec. 28, 1973. That is even below the cross-rate reached on Oct. 28, 1976, when the pound struck its historic low of 1,5690 dollars. At that time, a pound bought 3,811 Swiss francs.

It is not surprising, then, that British companies have been in the

forefront of the exodus from the Swiss franc and Deutsche mark markets. During the past 12 months, Courtaulds International Finance NV, a unit of the U.K. textile manufacturer, has redeemed a DM 100 million 15-year Eurobond, carrying a 7.75-percent coupon, originally due in 1986, and a DM 150 million 15-year issue, bearing 6.75 percent, due in 1984. Tube Investments Ltd. said it was repaying early a 6.75 percent 1971-86 issue for SF 60 million that would be refinanced by a multicurrency facility. Dunlop Finance NV, a subsidiary of the British tiremaker, prematurely repaid a 1970-85 bond issue of DM 100 million with an 8.25 percent coupon. Reed International Ltd., a diversified paper and publishing group, repaid a SF 80 million 6-percent loan ahead of its final redemption date of July 7, 1988. Even the London Electricity Council repaid a remaining DM 140 million of bonds issued in 1969 but not due for final redemption until 1984. (The move was partly aimed at scaling down the "hump" in Britain's foreign debt repayment foreseen in the early 1980s.)

Among U.S.-based corporations, Burroughs Corp. and Dow Chemical have redeemed before maturity the remaining portions of two Swiss-franc-denominated bond issues. In the case of Burroughs, it redeemed a remaining SF 30 million of an original SF 60 million Eurobond issue floated in 1967 with a 5.5 percent coupon due to mature in 1983. Dow Chemical repaid the outstanding 5 million francs of a SF 50 million 5.5 percent issue of 1967 due in 1979.

U.S. and British borrowers have not been the only ones seeking early redemption. Earlier this year, Pechiney Ugine Kuhlmann, the French chemical and nonferrous metals group, recalled a SF 100 million bond issue carrying 5.5 percent due in 1987. And about a year ago, two Japanese companies, Mitsubishi Heavy Industries and Nippon Yusen Kaisha (N.Y.K. Line), announced they would retire their DM debt early. Mitsubishi repaid DM 80 million of its 9.75 percent issue due in 1980, and N.Y.K. Line retired its entire DM 50 million 9-percent issue.

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Euromarkets

Institutional Investors Weigh the Risks of Dollar Bonds

By Darrell Delamaide

FRANKFURT (IHT) — Institutional investors — pension funds, insurance companies, investment funds, trust managers — are the main market for Eurobonds as they are for any fixed-interest securities. The international market, which requires a good deal of sophistication, is especially reliant on large, internationally oriented institutional funds.

Central banks, offshore pension funds for multinational companies, institutional investors in small, outward-looking countries like the Benelux nations or soft-currency countries like Italy and Britain make up the more specialized clientele for international funds.

Investment strategies vary among these huge money managers, and knowing just who buys what is the main capital of managers and underwriters in this \$30 billion market. "That's what we live from," commented a banker from

one of the main German issuing houses. Understandably, then, underwriters and dealers are reluctant to name their customers or discuss the investment strategies in all but the most general terms.

One type of institutional player open to public scrutiny, though, is the international bond fund. The strategy of such funds provides some insight into the currents moving the bond market.

Swiss Francs

"We have international customers and have to keep an international orientation," commented Claude Stalder, a member of the investment advisory committee for Credit Suisse Bond Funds. "We try to keep the strong-currency portion as high as possible," he said, but added that the dollar is such an important part of the market, there are limits to how far an international fund can reduce its holdings.

The Credit Suisse fund currently has 1.1 billion Swiss francs under management, with three-quarters of the amount invested in international bonds. According to currencies, one-third is invested in Swiss francs, 22 percent in Deutsche marks, 31 percent in dollars, and 8.5 percent in Dutch guilders. The remainder is spread around, with only 1 percent in yen bonds.

Mr. Stalder explained that the fund was not a significant seller of dollar bonds in October, despite the adverse currency and interest-rate movements in that sector. But the fund was cautious about putting new money into dollar bonds, so that the dollar portfolio has declined as other sectors have been built up.

Hans Fischer, funds manager at Union Bank of Switzerland's Bondinvest, with SF 2.2 billion the biggest of the Swiss bond funds, also said he was not a net seller of dollar bonds in October. "About a year ago we were net sellers," Mr. Fischer

said. "But at SF 1.50 for the dollar, I didn't want to exchange any funds, so that any sales I made in dollars, I reinvested in dollars."

'Especially nowadays, I'd rather have a 4-percent Swiss franc bond than an 8-percent dollar bond.'

Currency Risk

Both Swiss money managers believed the dollar would eventually turn around from its sharp decline earlier this fall, and were ready to step up buying of dollar bonds once this happened. "That point isn't here yet, but even at the present stand I'd sooner be a buyer of

dollar bonds," remarked Credit Suisse's Mr. Stalder in an interview late last month.

The comments reveal the chief criterion for any international money manager — currency movements. The biggest of all international bond funds, Roreto, showed in its September interim report that it had reduced its holdings of dollar bonds to 5.2 percent of a total portfolio of 3.1 billion Dutch guilders. Moreover, forward contracts against the guilder and Deutsche mark reduce dollar exposure to practically nil.

August J. van Oostveen, a managing director of Robeco and member of the advisory panel for the Curacao-based Roreto, explained that the currency risk in dollar holdings was too great, despite the higher coupons offered on the dollar bonds. "We look at the total return as affected by movement in interest rates and currencies," Mr. van Oostveen said. "We look at underlying factors like inflation to anticipate rate movements — that's why dollar holdings are so low."

Mr. van Oostveen fully expects to rebuild the dollar holdings once the risk is reversed. "The time will come," he said, "perhaps before very long. The larger the number of pessimists, the closer we are to bottom." Mr. van Oostveen said of the dollar's fall through October, which, he added, "was going much too far."

Roreto's dollar portion has been as high as 40 percent, Mr. van Oostveen said. The September report, though, disclosed the Dutch guilder with a 53 percent share, the Deutsche mark with 24 percent and the Japanese yen with 11 percent.

Bondinvest's Mr. Fischer underscored the fact that currency movements are a factor in yield considerations at least as important as the coupon. "Especially nowadays, I'd rather have a 4-percent Swiss franc bond than an 8-percent dollar bond."

The currency/yield consideration is important for Mr. Fischer too because, he says, the fund is not oriented to a big turnover in the bond holdings. This is different from Roreto, which, according to Mr. van Oostveen, likes to be able to move freely in and out of engagements.

Liquidity

"We're willing to give up some yield in order to have liquidity," Mr. van Oostveen said in explaining Roreto's large engagement in domestic German bonds, despite the 25-percent coupon tax on these issues. This insistence on liquidity partially explains the fund's aversion to the Eurodollar bond market.

"We try to evade the Eurobond market (in dollars)," Mr. van Oostveen commented. "We've not had very good experience with regard to the market's ability. It's all right if you just want to sit on a bond, but we like to buy and sell when it suits us. And so we prefer the Yankee bond market, which is much more

liquid." The Robeco director added, though, that the market for Deutsch-mark Eurobonds generally was liquid enough.

Other institutional investors with a potential role in the Euromarkets have been effectively excluded by currency considerations. The big German institutions and funds are prime examples. Their overwhelming

domestic-customer base rules out exposure to the dollar risk. Nor have they been able to do much in DM Eurobonds lately, because domestic bond rates have been decidedly higher most of the year. Domestic interest has largely been confined to private investors, who snap up the high-coupon addresses that many institutions, particularly bond funds, will not touch.

An Attractive Alternative To Deutsche Mark Bonds

DUESSELDORF (IHT) — A little-heralded alternative to bonds for institutional investors interested in Deutsche-mark holdings are the global promissory notes promoted by the large German banks.

These notes, bearing the unwieldy German name *Schuldscheindarlehen* are offered in large amounts to a single investor, usually in the name of the issuing bank. They can thus be tailored to the investor's wishes regarding volume and maturity. Westdeutsche Landesbank, a leading proponent of this instrument for foreign investors, refers to the promissory notes as SD-certificates.

Peter Ganschmied, WestLB senior vice president, lists the attractions: prime borrowers at slightly higher yields than in the Eurobond market, no coupon tax (as with Eurobonds), no price risk and relatively short maturities (ranging from 1 to 15 years, with greatest demand in the four-to-eight-year bracket).

Governmental borrowers are the main users of SD-certificates in domestic financing, but they are prohibited from raising funds abroad. And so it is primarily public law banks, notably the Landesbanks, that issue these notes for foreign investors, although other big banks, like Deutsche, have also been active in the field.

Foreign Placement

While an average 10 billion DM to 15 billion DM domestic financing is handled annually through *Schuldscheindarlehen*, there are no reliable statistics or even estimates on foreign placement of SD-certificates. The Bundesbank categorizes them along with other loans and credits taken up by German banks abroad and does not have any statistical breakdown. The German central bank, in fact, is not so keen on capital imports by public sector entities. Authoritative sources at the Bundesbank, though, deem the practice "tolerable" in view of Germany's status as a net capital exporter. Foreign placement is certainly a fraction of domestic volume, but substantial enough that even those banks not involved concede that SD-certificates are a factor in the market.

For the banks themselves, the notes provide an attractive refinancing alternative while enhancing their relationship with the select institutions in a position to put large amounts of funds into such a vehicle. Because the SD-certificates are not securities, most investment funds are ruled out. But pension funds, shipping companies, central banks and supranational agencies have all taken DM certificates.

The German banks maintain a secondary market in the certificates. The certificate usually remains in possession of the original purchaser and is transferred by written assignment when sold before maturity.

—D.D.

Guilder Notes Suffer From Currency Speculation

AMSTERDAM (IHT) — The issue of Euroguilder notes continued apace through August this year, but international access to the Netherlands' domestic capital market was dampened by interest-rate and currency developments in June. Now the Euroguilder market has slowed down, too.

Johannes A. de Gier, assistant general manager at the Amsterdam-Rotterdam (AMRO) Bank NV, expects foreign borrowers to return to Dutch guilder issues, both domestic and Euroguilder, once internal liquidity and foreign exchange trading allow a stabilization of capital market rates.

These rates suffered last summer from an atypical squeeze in domestic liquidity combined with international speculation against the Dutch guilder. Above all, the strains from defending the guilder within the European currency snake resulted in Dutch capital market rates shooting from 7.3 percent in April to 7.8 percent in August, according to averages computed by Nederlandsche Middenstandsbank NV.

Although the long-term rates

EUROGUILDER NOTE ISSUES: JAN.-OCT. 1978				
Borrower	Amount (in millions)	Coupon	Maturity	Manager
Amro Bank	70	7	1983	Amro
Mees&Hope	70	7	1983	Mees&Hope
Norway	100	6.5	1983	ABN
ABN Bank	75	6.25	1983	ABN
Oesterreichische Kontrollbank	75	6.5	1985	Amro
NMB bank	75	6.5	1983	Amro
Brazil	75	7.5	1983	ABN
New Zealand	75	6.75	1984	Amro
Newman Electricity Commission (CFE)	75	7.75	1983	ABN
EIB	75	7.25	1985	Amro

showed a slight downward turn in September, the discount rate kept requiring new hikes to cope with the currency situation. The central bank rate, cut a half-point to 4 percent in April, was boosted to 4.5 percent in July, then to 5.5 percent in September and finally to 6.5 percent last month, just before the guilder's devaluation of 2 percent against the Deutsche mark within the snake.

With currency unrest and the negotiations for the European Monetary System, a further devaluation

of 3 percent of the Dutch currency against the mark is widely expected. A 15-year bond tendered by the government last month carried a coupon of 8.5 percent against 7.5 percent on 10 years in September.

"The devaluation shows that it was wrong to consider the guilder an expensive Deutsche mark," commented Mr. de Gier regarding the 1.5-2-point span in long-term interest rates between the two currencies.

"In fact, with the prospects for another guilder devaluation, what

you have is a reasonably priced Dutch guilder."

The international guilder bond rate is two-tier. The medium-term Euroguilder notes are semi-private placements for foreign investors, while the domestic bond issues for foreign borrowers are longer term and placed primarily with domestic investors. Both vehicles are strictly regulated by the Dutch central bank.

When liquidity is tight, as it was this summer, Mr. de Gier notes the central bank has to give preference

in the domestic market to domestic borrowers. Besides the government, many Dutch financial institutions rely heavily on the capital market for funds.

The last foreign bond issue was from the European Coal and Steel Community in June. Other foreign borrowers that tapped the domestic market this year were the European Investment Bank, Finland and Denmark. In normal circumstances, foreign bond issues are limited to one month. The current frequency limit on Euroguilder notes is also once a month. In addition, the amount (with occasional exceptions for sovereign borrowers) is limited to 75 million guilders and the maturity kept to seven years.

The central bank regulation results in a relatively steady issuing activity for Euroguilder notes. This means, however, that the Euroguilder share has been decreasing as overall market volume climbs.

Euroguilder notes this year should at least match 1977's total of 820 million guilders, which represented 2.1 percent of all Euroguilder issues last year, according to Amro Bank. The 1977 proportion compares with 3 percent in 1976, 8.1 percent in 1975 and 20.8 percent in 1974.

—D.D.

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EEC Planning Loan Facility to Boost Industrial Investment

BRUSSELS (IHU) — The Council of Finance Ministers of the European Economic Community last month finally resolved its differences with the European Parliament regarding a new borrowing facility for the community.

The compromise opened the way for the Commission, working with the European Investment Bank (EIB), to seek out projects within the nine member states that will stimulate industrial investment. These would be supported by EEC loans financed through borrowing by the Commission.

The new borrowing authority, known formally as the New Community Instrument (NIC) and popularly as the Ortolini facility after its sponsoring commissioner, Franco Ortolini, was born from considerations last year about how the Commission could foster lagging industrial investment. It represents a fourth borrowing instrument for the community — joining the existing facilities for the European Coal and Steel Community (ECSC), European Atomic Energy Community (Euratom) and the Commission loan for balance of payments difficulties.

The wheels grind slowly in Brussels, and it is not likely that the Commission will go to the capital markets with the new authority before year's end. Appropriate projects must be identified first. Then the council must grant permission for the first tranche of borrowing. The council itself will be preoccupied with the proposed European Monetary System in its remaining meetings this year.

Experimental

Nor does the new facility — in its present form — make it likely that the EEC will become a major new borrower in the international markets. The facility is specifically labeled "experimental" (this was a concession to the parliament) and has a ceiling of one billion European units of account (about \$1.4 billion at end-October rates). The new instrument will be reviewed when 800 million European units of account (EUA) have been borrowed, or in two years, at the latest.

The Ortolini facility demonstrates the open-mindedness and flexibility of the Commission in seeking out new financing for its ideas. Still, it marks no essential change from community borrowing policy. All EEC borrowing is for the purpose

EUROBOND ISSUES FROM SUPRANATIONAL EUROPEAN BORROWERS									
JAN.-OCT. 1978									
Date	Amount (in millions)	Coupon	Maturity	Manager	Date	Amount (in millions)	Coupon	Maturity	Manager
EUROPEAN INVESTMENT BANK (EIB)					EUROPEAN COAL AND STEEL COMMUNITY				
Jan.	\$ 100	8.5	1988	UBS (Securities)	Jan.	\$ 30	8.375	1985	Kuwait Investment Co.
	\$ 100	8.75	1993	UBS (Securities)	Feb.	\$ 20	8.5	1990	Societe Generale de Banque
	LFr 25	9.75	1988	S.G. Warburg	March	DM 150	5.25	1990	Dresdner Bank
March	LFr 500	7.75	1988	Banque Internat. a Luxembourg		\$ 25	9	1993	Paribas
	DM 250	5.25	1990	Deutsche Bank		\$ 25	9.25	1998	Paribas
	\$ 100	9.25	1998	Merrill Lynch	June	\$ 50	8.75	1987	Banca Commerciale Ital.
	\$ 100	8.675	1985	Merrill Lynch		DFI 100	7.25	1993	Amro Bank
May	DFI 125	7.25	1993	Amro Bank	July	DM 70	6	1990	Deutsche Bank
	\$ 60	8.375	1986	I.B. di S. Paolo Torino		BFR 200	8.5	1986	Societe Generale de Banque
June	\$ 100	9.125	1993	Societe Generale	Oct.	DM 150	6	1988	Deutsche Bank
Aug.	SFR 100	4.25	1993	Credit Suisse		LFr 600	7.75	1988	Banque Generale
	\$ 100	9	1990	Nikko Sec./Credit Suisse	EUROFIMA				
	DFI 75	7.25	1985	Amro Bank	Jan.	\$ 40	8.5	1988	Smith Barney
July	DM 75	6	1988	Commerzbank	Feb.	DM 100	5.5	1988	Deutsche Bank
	LFr 250	7.75	1988	Banque Internat. a Luxembourg	May	Yen 10,000	6.3	1990	Nikko Securities
Sept.	\$ 100	8.875	1986	Lehman Bros. Kuhn Loeb	June	LFr 500	7.5	1988	Kreditbank Lux.
	\$ 125	9.125	1988	Lehman Bros. Kuhn Loeb	Oct.	\$ 20	8.5	1985	Nat. Commercial Bank Sand.
	DM 300	6	1990	Deutsche Bank		DM 80	5.5	1988	Deutsche Bank
	BFR 200	9.75	1988	CCF	COUNCIL OF EUROPE RESETTLEMENT FUND				
Oct.	DM 100	6	1988	Commerzbank	April	SFR 65	4.5	1993	Banca del Gottardo
EURATOM					May	DM 100	6.125	1988	BHF-Bank
July	SFR 80	4.25	1993	Credit Suisse	July	DM 20	6.25	1986	BHF-Bank
					Oct.	DM 130	6.25	1988	BHF-Bank

of on-lending to fulfill policy objectives. EEC borrowings are repaid as the subsequent loans are paid back, and the Common Market agencies generally do not even run a foreign exchange risk, but borrow in the currencies they lend.

The EEC has never borrowed to finance its own budget. Conversations with officials of the Commission clearly indicate that it would not do so in the near future. "The political resistance to deficit spending," comments one Cabinet official, "is, in any case, very strong."

The Nine are just completing the long process of achieving self-financing — by replacing financial transfers from member countries with the community's own assessment of the value-added tax. The VAT assessment will be used to cover the spending deficit left by revenues from customs duties and agricultural levies. The 1979 pre-

liminary draft budget (appropriations for payment) calls for spending of 13.9 billion EUA, up 12.1 percent from this year.

A Boost

About half of this proposed budget (6.8 billion EUA) will be financed through VAT assessment. However, this amount already represents 0.75 percent of projected VAT revenues. The maximum VAT assessment for the EEC has been set at one percent, and the Commission calculates this ceiling will be reached by 1981, at the latest.

But, the officials of the Commission caution, there still will be no question of borrowing to finance the budget. Some new source of revenue would be found; the most obvious would be a boost in the VAT assessment.

The political bodies in the EEC, however, will not countenance defi-

cit spending for the community in its present form. They are afraid, commission sources say, that to do so would create a "monster" likely to run amok or an "inflation machine." Besides, Commission officials note, the EEC budget is so small, 0.81 percent of members' combined gross national product this year, that deficit spending could have no possible positive effect to compensate for the inherent dangers.

Brussels officials do not exclude the possibility that certain Commission activities, like the Social and Regional Funds, might one day be financed through borrowings, again for on-lending purposes. The Ortolini facility demonstrates the willingness to experiment within the limited operational room given by the member states.

The new instrument is to support projects that improve productivity, enhance the competitiveness of Eu-

ropean products in world markets or strengthen the infrastructure. Thus its aims overlap in part those of existing agencies like the ECSC and the EIB.

Wider Range

Marcel von Donat, a member of the Ortolini Cabinet, notes that the new facility has a much wider range. "It is designed for any project fulfilling the goals set and is not restricted to regional development or a particular industry," he comments. "Besides, the emphasis of the new instrument can be altered through political decision."

The Commission will act as mediator in the Ortolini facility. The funds will be borrowed in its name, although the actual project loans will be administered by EIB. The new borrowings by the Commission will be the first since the 1976 and 1977 issues to fund the pay-

ments' assistance program. The Commission raised 1.8 billion EUA altogether, of which 1.5 billion was on-lent to Italy and 300 million to Ireland.

This facility, which is designated for only those payments difficulties resulting from oil imports, has a ceiling of 3 billion EUA. But there do not seem to be any takers on the horizon (while Italy, for one, has declared its intention of repaying its loans ahead of time).

"EEC borrowing is an ad hoc system," Mr. von Donat remarked. "Facilities can be changed or done away with."

Two imponderables in the development of EEC borrowing policy are the development of the European Monetary System and the consequences of next year's direct elections to the European Parliament. If it is finally set up and functional, the EMS could foster closer eco-

nomie integration that would result in a greater intervention role for the Commission. The parliament, on the other hand, could try to flex its new political muscles by seeking a greater voice in determining budgetary policies.

Budget

Already, parliamentary efforts to "budgetize" borrowing and lending has resulted in a new "Part II" for the budget presentation, itemizing these activities. (Previously, the borrowing and lending were entered as self-canceling items that were explained only in an annex.)

If these significant developments make it impossible to project EEC borrowing beyond two or three years, it is also very difficult to predict the community's standing as a borrower. It seems natural that the EEC should enjoy the status of a sovereign borrower, and not one

questions the credit worthiness or goodwill of most of the member states. Also, the tight political reins on EEC financing activities undoubtedly contributes to its standing.

Still, even at the time of the first Commission issue in 1976, in the midst of the euphoria engendered by the novelty of the proceeding and the excitement among the banks jockeying for management positions, cautious voices asked just who was going to take final responsibility for paying back this money.

And so, in addition to the guarantee provided by the EEC's budgetary resources, the big member states also guaranteed nearly a quarter of the amount apiece (and even agreed to double their commitment if one of The Big Four fell out).

This often unspoken caution is a factor in placing bonds of supranational borrowers in general. While no one would deny the EEC or its agencies a triple-A rating, certain Swiss funds are known to have an aversion to supranational additions, and all investors like to keep an eye on how big these holdings are getting in their portfolios. There is triple-A and then there is triple-A.

Borrowers

The biggest supranational borrowers in Europe (the World Bank is the biggest overall borrower in this category) are EIB and ECSC, which have been active in capital markets for 20 and 25 years respectively. EIB is by far the bigger of the two and is likely to increase its borrowing activity. Both are regular borrowers in practically all major capital markets of the world. Especially in Europe, they are in the forefront of innovations — like the attempted revivals of the pound sterling and French franc-Euro-bond markets.

The ECSC was established in April, 1951 through the Treaty of Paris and was fused administratively in 1967 with the two later European communities, EEC and Euratom, established by the 1957 Treaty of Rome. ECSC still maintains its own budget and manages its own borrowing. Funds raised are used to finance industrial projects in the coal and steel industries, to support new industry in areas traditionally dependent on these industries, to sponsor research and in finance low-cost housing for workers in (Continued on next page)

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Euromarkets

Composing the Ideal Investment Portfolio — A 40:40:20 Mix

By Bhushan Bahree

GENEVA (IHT) — The total of all portfolios managed by Swiss banks may be as little as 200 billion Swiss francs, according to some estimates, and as much as SF 500 billion, according to others. The truth is that nobody is quite certain.

Whatever the real size of the empire, the power and influence of Swiss portfolio managers is substantial. This in itself, rather than any genius in predicting the swings of the marketplace, tends to both attract and inspire confidence in investors who make their way to Zurich, Geneva or Basel to ascertain just how their money can best be put to work.

The Big Three Swiss banks — Union Bank of Switzerland, Swiss Bank Corp. and Credit Suisse — account for the lion's share of the portfolio business, although some of the famed private banks also specialize in this area.

The views of investment managers at the big banks, while not identical, are close. The opportunities, they say, are in the United States, West Germany and Japan. To a lesser extent, investments may be made in the Netherlands, and to a very little extent — because of official restrictions — in Switzerland.

A theoretically ideal portfolio should have a mix not only of shares, bonds and liquid assets, but also of currencies.

At Credit Suisse, Fritz Rudolf, manager of the investment department, says that a portfolio should be split up into 40-percent shares, 40-percent fixed-term instruments (bonds and notes) and 20-percent short-term paper, gold and savings accounts. The last part could be raised to 25 percent if the gold component is to be more than 10 percent, in his opinion.

Half of the shares in the portfolio should be American, he says. The other half could be split up among German, Japanese and

A theoretically ideal portfolio should have a mix not only of shares, bonds and liquid assets, but also of currencies.

Dutch issues. For European investors, the U.S. share part should be somewhat less, or about 40 percent.

Foreigners are a bit dicey because it is difficult to see how the companies will fare in the increased competitive climate being generated by the U.S. administration.

Retail store companies like J.C. Penney, Sears and K-Mart, and insurance companies like Aetna Life and General, round off Mr. Rudolf's list of attractive U.S. stocks. He is not bullish on auto company shares.

For Germany, Mr. Rudolf says he is favorably impressed by Thyssen, despite the steel crisis. He attributes his optimism to Thyssen's activities outside the steel area. Besides, he likes the big German banks, pharmaceuticals like Schering and retail store shares. He is uncertain about the big German chemical companies, but he says that any investor going into mark shares inevitably will come up to buying these so one may as well add them to the buy list. Some machinery issues, like Mannesmann, also are attractive because of their thriving export business.

In bonds, the Swiss Bank Corp. investment manager feels that "sizeable" positions should be held in Swiss franc, Deutsche mark or dollar paper. He still prefers Swiss franc paper, although coupons are down to 4 percent in many cases. However, nonresident foreigners cannot buy on the secondary market, except to switch, and can only subscribe to 50 percent of a new issue of a foreign borrower, whether publicly offered bonds or privately placed medium-term notes. Domestic issues are out of bounds for foreigners.

Credit Suisse's Mr. Rudolf says that the dollar paper could be a good investment, if the investor is courageous and does not worry too much about short-term currency fluctuations. He notes that 10-year

and cosmetics companies. He is not very fond of chemicals. "We're neutral there," he says. He thinks airlines are a bit dicey because it is difficult to see how the companies will fare in the increased competitive climate being generated by the U.S. administration.

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bonds could be very interesting and cites the interest-rate gap. The Swiss franc paper will give between 3.5 and 4 percent, Deutsche mark paper between 5.5 and 6 percent and dollar paper between 8.5 and 9.5 percent. The currency situation (the dollar's fall) is overdone, he thinks, and there could well be a rebound. Even otherwise, he says, the dollar would have to drop to well below one franc for an investor in dollar bonds to start showing a loss, relative to money invested in the Swiss franc. One has to ask whether such a fall is likely "but if one hesitates, then this is not the thing to do," he warns.

While the Swiss franc bonds yield little, and the dollar paper is beset with uncertainty about the value of the U.S. fund, the Deutsche mark seems to be a good

compromise situation. Both investment experts think the market functions well and is large enough to suit most investors. Both also say they favor yen-denominated paper, but are cautious because the market is very narrow, especially in Samurai bonds. Mr. Rudolf says that "we do have some mutual-fund investment in yen," but he adds that he hopes the market will expand so that when there is a need, an investor can pull out. Right now, it is very much one-way, both experts suggest. They point out that this market could only be seen right now as attractive for long-term investment.

Both investment advisers also thought that some gold, as part of the liquid asset portion, should be included in a balanced portfolio. If inflation continues to plague the industrial world, then the price may go up further. For those who think the price of gold is high now, Mr. Rudolf pointed out that this was mainly the dollar-per-ounce price, which reflects the weakness of the dollar. The price per kilo in Swiss francs has not shown that kind of surge.

One thing that both experts suggest not to do is invest in sterling. They think that over the long term, it is uncertain that North Sea oil will pull Britain along, and they have seen no other signs that would make them bullish about the country's economic future.

As for France, Mr. Rudolf says that investors seem not to favor it as a country for investment. Somehow, traditionally France is a country one does not seriously think of investing in unless there are special reasons. "France was interesting on a speculative basis right after the elections, but only for specialists," says Mr. Rudolf.

EEC's New Loan Facility To Foster Investments

(Continued from preceding page)

these industries. Besides borrowed funds, the ECSC has its own resources from a levy, currently at 0.25 percent, on coal and steel production in the EEC.

Through 1977, the ECSC raised a total of 4,734 billion EUA through 185 issues in 11 currencies. Current borrowing is averaging \$700-800 million a year. Total raised in 1977 through 32 public bonds and private placements was 729 million EUA, against 956 million EUA in 1976.

Euratom, on the other hand, was first authorized to borrow funds in March, 1977. These funds are to be lent to projects in nuclear power stations and fuel recycling. The loans are administered by EIB and make up only 20 percent of project costs (although they may be granted jointly with EIB loans).

Euratom, which is included in the consolidated EEC budget, had a previous borrowing arrangement in the form of a \$135 million line of credit from the U.S. Export-Import Bank. The new borrowing authority is limited to 500 million EUA, with this ceiling up for review once 300 million EUA have been raised. Last year, Euratom made a public issue in the amount of DM 200 million and private placements for DM 18 million and \$18 million. So far this year, there has been an issue for 80 million Swiss francs.

Two other European supranational agencies, which have no affiliation to the EEC but are regular borrowers in the Euromarkets, are Eurofima and the Council of Europe Resettlement Fund.

Eurofima, based in Basel, was organized in 1956 as a joint stock corporation under Swiss law according to a convention signed the previous year by 16 European countries, including all current EEC members except Britain and Ireland. The purpose of the company is to purchase railway rolling stock and supply this equipment under lease to the member countries' national railways, which hold shares representing subscribed capital of 500 million Swiss francs. The balance sheet at end-1977 showed 258 billion Swiss francs in outstanding bond debt and SF 1.5 billion in long and medium-term loans.

The Council of Europe (not to be confused with the European Council) Resettlement Fund for Refugees and Overpopulation in Europe was established in 1955 to provide credits for resettlement projects. The fund, currently subscribed to by 16 European countries, is based in Strasbourg with administrative offices in Paris. It is a relatively small borrower and showed only \$338 million in bond debt on March 31 of this year. In the last three years, borrowing has been exclusively in Deutsche marks and Swiss francs.

At EIB-based Swiss Bank Corp., a vice president of the bank's investment advisory service said that portfolios now had 50 percent or more in bonds, a portion that he thought could slowly be reduced, probably beginning next year. He explained that five years ago, the share of bonds was only 20 percent, but then higher interest rates led to the gradual transfer of funds into long-term instruments.

Unlike Mr. Rudolf, the Swiss Bank Corp. official thought the U.S. stock market would likely go down next year under the weight of a slowdown in the economy and that until then, dollar assets may as well be held liquid to take advantage of price weaknesses there. He said that until midsummer, 1977, when the dollar had been relatively stable for some time, U.S. shares were being bought. When the dollar started its long plunge, investors stopped. When the decline continued, some, though not a majority, liquidated their holdings. Most, however, simply kept the assets in short-term deposits. "These are still there," he said.

Mr. Rudolf agrees that some liquidation of U.S. holdings has taken place, but he does not think the U.S. stock market is headed downward. He feels there are attractive shares right now. For instance, he feels high-technology company shares are still a good bet because they will continue to have new and interesting products. He names IBM and Burroughs. Some oil companies also are attractive, and his buy list would include tobacco, food and beverage and pharmaceu-

tical and cosmetics companies. He is not very fond of chemicals. "We're neutral there," he says. He thinks airlines are a bit dicey because it is difficult to see how the companies will fare in the increased competitive climate being generated by the U.S. administration.

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EIB: Stepped-Up Lending, Borrowing

LUXEMBOURG (IHT) — The EIB had a busy September in the international capital markets.

The European Economic Community's lending institution conducted its largest single borrowing operation to date, a two-tranche Yankee bond issue raising \$225 million, topped the Deutsche mark Eurobond market for 300 million DM (EIB's largest offering there) and went on to reopen the French franc Eurobond market with a 200 million franc offering.

The previous month, EIB raised \$100 million through an unusual split offering — \$80 million of the 12-year bonds placed by a Japanese consortium with domestic investors and the remaining \$20 million placed with international investors.

EIB raised nearly \$1.5 billion in the first three quarters of this year, and Andre George, manager of the finance department, figures the traditional year-end spurt could boost the borrowing to \$2 billion for the year. This would be about twice as much as the \$425 million European units of account (EUA) raised in capital markets last year.

The bank's board of governors, made up of the EEC finance ministers, agreed last June to double the subscribed capital to about \$8.8 billion. Because lending is limited to 2.5 times subscribed capital, the new lending limit — and so the approximate amount eventually to be borrowed — is \$22 billion.

EIB comes in for some criticism for its insistence on very tight terms

for its issues. This charge leaves Mr. George relatively unruffled; he considers it his job to get the best terms possible. "One of our priorities now," he comments, "is to increase the volume of individual offerings." He cites the Yankee bond issue as evidence that this is possible.

EIB is not allowed to run any foreign exchange risk, so that its borrowing is determined by the currencies sought by its "customers." The bank makes loans to projects that further its stated goals.

"We never borrow in a currency just to keep the market open," Mr. George explains. "For us it's a question of currencies, not an availability of funds."

Mr. George concedes that cus-

tomers' wishes regarding currency may not always correspond to the bank's own judgment. "We might think it's opportune now, for instance, to borrow in Deutsche marks or Swiss francs, but our customers may be afraid of the hard currencies and prefer dollars. It's their (foreign exchange) risk and so their choice; we don't want to impose our opinion."

Still, bank officials do promote a "standard cocktail" of currencies in their loans, to diversify exposure and smooth out interest rates for the borrower. The current cocktail is made up of 35 percent each for the U.S. dollar and the mark and 15 percent each for the Dutch guilder and Belgian franc.

As for France, Mr. Rudolf says that investors seem not to favor it as a country for investment. Somehow, traditionally France is a country one does not seriously think of investing in unless there are special reasons. "France was interesting on a speculative basis right after the elections, but only for specialists," says Mr. Rudolf.

All of these Securities have been sold. This announcement appears as a matter of record only.

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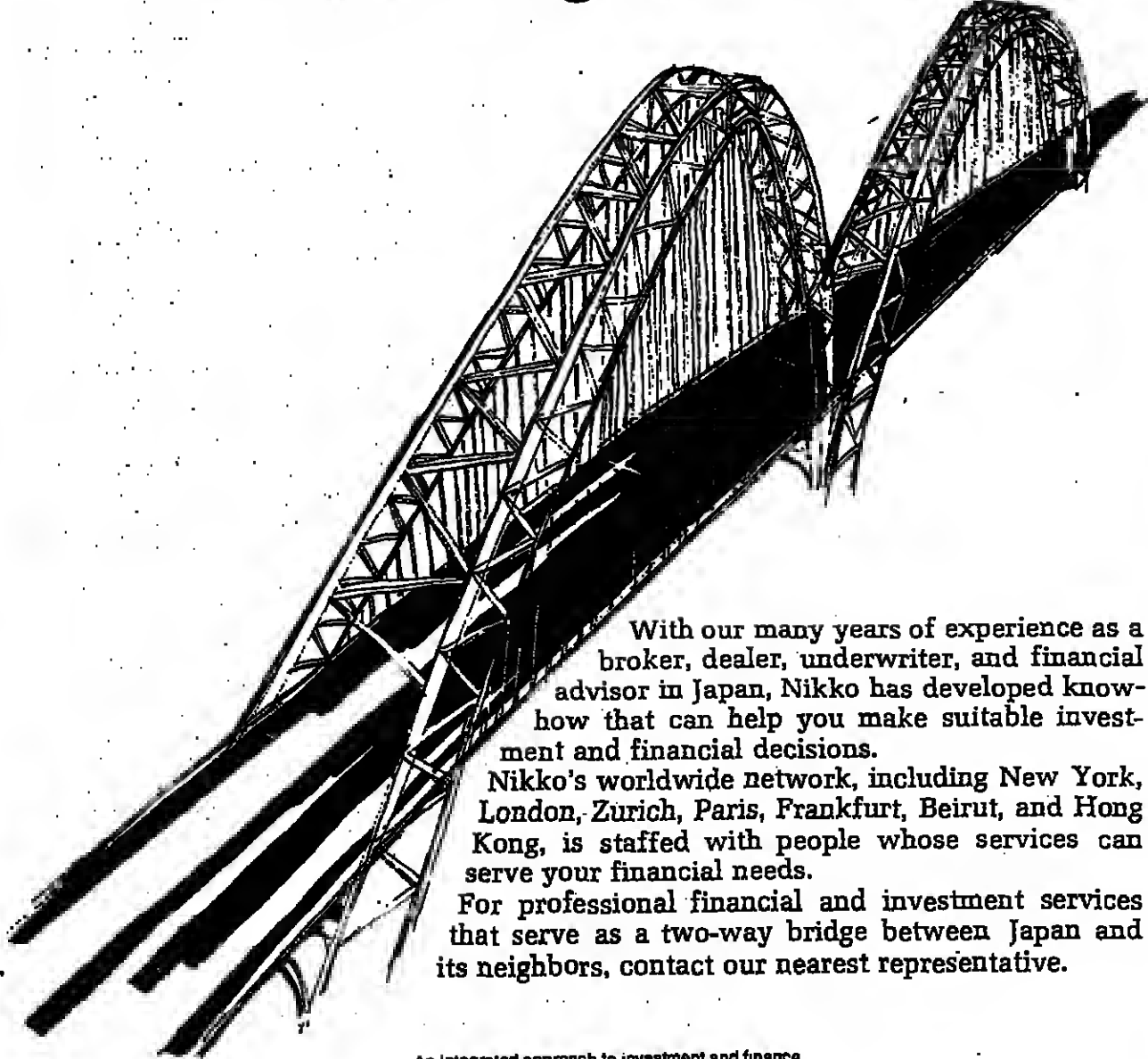
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Euromarkets

The Asia Dollar Bond Market Has Practically Disappeared. . .

SINGAPORE (IHT) — Sally doesn't come here any more. At least, that is what the bond traders say, although elsewhere in town people say Sally's as frequent a visitor as ever.

Sally is the investment banking house of Salomon Bros., which works from its office in Hong Kong. Not being permanently on the ground in Singapore, its presence or absence in the various market sectors serves Singapore-based bankers as a rough marker of where the action is.

"We don't see Sally floating through so often," muses one bond management specialist, and in the next breath, "if you want to talk about Asian dollar bonds, the market practically disappeared this year."

But for certificates of deposit (CDs) launched by Singapore's monetary authorities about a year ago, the story is different.

"All things considered," says the man from Merrill Lynch, "certificates of deposit have got off to a better start than we could reasonably have hoped for."

There's a handful of secondary market traders who regularly make two-way prices — ourselves, Credit Suisse First Boston, DBS [Development Bank of Singapore] and Sally, of course, in Hong Kong.

The quotes sum up the story. The past year has seen mixed fortunes in the Asian offshore markets, but by and large offshore bankers remain philosophical. With the dollar uncertain at the best of times and feeble at others, and U.S. interest rates squeezing upwards into double digits, mixed fortunes have been better than none.

Philosophy has been aided by good profitable business elsewhere, notably in the foreign exchange market and in the booming equity markets of Hong Kong and Singapore.

More than 80-percent rises in the leading indices for the Hong Kong and Singapore stock markets during the first nine months of the year played their part in diverting investor interest from Asian dollar securities. But the investment and merchant bankers have benefited from a wave of issue management and underwriting business thrown up by the boom, as well as the opportunity of taking profits on their own equity portfolios.

Twin Forces

On the foreign exchange side, the twin forces of dollar weakness and yen strength have triggered an enormous expansion in the volume of Asian markets in the past year. Monthly figures compiled by the

The past year has seen mixed fortunes in the Asian offshore markets, but by and large offshore bankers remain philosophical. With the dollar uncertain at the best of times and feeble at others, and U.S. interest rates squeezing upwards into double digits, mixed fortunes have been better than none.

Monetary Authority of Singapore (MAS) indicate a near-40-percent growth of Singapore market turnover in the past year, to an average of \$1.5 billion to \$2 billion daily.

Allowing for some double counting in the MAS figures, local Forex traders put actual daily average turnover somewhere between \$1 billion and \$1.5 billion, of which about a third on average is dollar/yen business and another third is dollar/Deutsche mark. Turnover in Hong Kong is estimated to be even higher, up to \$2.5 billion. Growth of the market has been helped by time-zone considerations, with Japanese banks increasingly using Singapore after the Tokyo market closes as a place to unwind positions taken in Tokyo.

At the same time, an increasing number of European banks are becoming aware of the possibilities offered by the Eastern markets for early dealing before the European

trading day gets under way. The result has been the development of much greater depth in the markets for the major currencies.

"Volume in the Asian exchange markets has grown fantastically," comments one German foreign exchange dealer on the mushrooming dollar/mark business. "A few years back five or ten million dollars was enough to swing the rate. Now, \$50 million hardly moves it at all."

Pace of Life

In comparison, the pace of life in the deposit markets has been staid. The deposit base of Asian Currency Units (ACUs) in Singapore continued to widen in the past year, but hesitantly, and more slowly on average than in the previous two years.

Total ACU assets and liabilities stood at \$23.1 billion at the end of August, an increase of less than 10

percent from the \$21.02 billion reported at end-1977. Extrapolated for the whole year, that would imply a 15-percent growth rate against 21 percent in 1977 and nearly 40 percent in 1976. Some bankers, however, noting the major part of this year's growth so far has taken place in the first quarter, say they doubt whether the 15-percent rate will be achieved. Add in a deflator for the dollar's depreciation, and growth of the market at constant values looks notably sluggish in comparison with that of the last five years.

As always, the size of the Hong Kong-based market remains unknown, with no statistics published by the financial authorities.

Exchange Controls

Past estimates by the Bank for International Settlements (BIS) put Singapore's deposit base at a third larger than the crown colony's,

which would make their combined volume presently about \$50 billion against some \$35 billion a year ago.

Two developments this year may have shifted the ratio further in Singapore's favor.

On one hand, bankers say, Hong Kong Financial Secretary Philip Haddon-Cave's decision to slap a 17-percent tax on offshore loan business may be driving loan bookings to other centers. On the other, Singapore's June 1 abolition of foreign exchange controls, accompanied by relaxations in license conditions for offshore banks and ACUs, should provide some additional stimulus to the Singapore-based market following concessions in the 1976 and 1977 budgets that cut the tax take on offshore bank business to an across-the-board 10 percent from 40 percent.

Singapore's exchange controls were vestigial, and their abolition amounted to little more than an administrative convenience.

The relaxation of ACU and offshore bank licenses was in part simply an extension of the exchange control abolition. But in many bankers' eyes it was also a counter to a Hong Kong move to widen the base of foreign bank operations by allowing the upgrading of foreign-bank-owned finance companies to full bank branch status. Both the Hong Kong and the Singapore measures aimed to widen the scope of onshore banking business available to foreign banks operating on restricted licenses. At the same time, bankers said, the Singapore relaxation, which deleted some highly complex technical limitations on ACU activities, should provide a long-term boost for both foreign-exchange and dollar-deposit business.

Meanwhile, Hong Kong's 17-percent tax rate may be driving offshore loan business to other centers such as Bahrain and Manila, bankers say.

Bahrain's offshore market, servicing the multimillion dollar construction and development projects taking shape throughout the Middle East, has continued its rapid expansion during the last year. In terms of size the Bahrain market is now reckoned near Singapore's in the \$20 billion range. Although its telecommunications links are mainly Westward-looking into Europe, the opening of direct dialing facilities to Singapore next year will tie it much more closely into the Asian market system, bankers say.

Fledgling Market

The fledgling Manila market has developed strongly since it started operations in July last year. It now has 19 licensed offshore banking units (OBUs), three more than at the beginning of this year, the latest entrants being Bank Saderal Iran, Chemical Bank and Bankers Trust. OBU resources jumped to \$1.19 billion at mid-year from \$16 million when the market was launched a year earlier. Philippine central bank figures show. Commercial bankers estimate total resources of the system now, including OBUs and the foreign currency deposit units (FCDUs) of onshore bank branches, has risen further to between \$2.5 billion and \$3 billion.

The Manila market's main function, probably accounting for 80 to 85 percent of its business — is to channel foreign currency loans to Philippine onshore users. Manila bankers say a constraint on further expansion in that direction is a \$950 million International Monetary Fund (IMF) ceiling on 1-to-15-year Philippine foreign borrowings this year.

Finance Minister Cesar Virata disputes this, arguing that the ceiling has not cramped the supply of funds to desirable borrowers and that it exerts a useful extra discipline on the banks' credit operations.

But the banks maintain they

have recently experienced a slowing down in central bank approval processes for foreign currency borrowings accompanied by greater government selectivity in authorizing projects needing offshore funds, reflecting government concern to hold Philippine foreign debt to the IMF guideline. Strengthening the government's urge to show responsibility is the possibility that it will be seeking another IMF standby credit facility when its existing one expires at the end of the year, they say.

The next growth spurt may therefore have to come from pure offshore activities, some Manila-based bankers say. Hong Kong's tax, at more than triple the Philippines' 5-percent charge on offshore transactions, could be the catalyst for an inflow of regional loan business to the OBUs, they say.

Booking Center

If that happens, Manila probably would develop initially as a booking center, with syndication management and refinancing still the domains of Hong Kong and Singapore.

The October signing in Singapore of a \$20 million 10-year floating rate loan for Philippine partners in the Nido oilfield project illustrated the pattern. While OBUs figured among the fund providers on the tombstone, the loan syndication was managed in Hong Kong by Citicorp International and largely refinanced through Singapore.

Incidentally, a central bank breakdown at midyear showed Singapore was by far the largest source of externally generated OBU interbank deposits, accounting for 25 percent of the total against Hong Kong's 3 percent. Although the Philippines itself provided a larger share — 45 percent — three-quarters of that, or 34 percent of the total, came from the central bank.

Hong Kong continues in general to have the edge over Singapore as the preferred syndication management center, partly for geographical reasons and partly because it has the edge over Singapore in ancillary services, bankers say.

Two areas in which Singapore is relatively deficient are printing and international legal services. While the large onshore banks with regular commercial paper requirements probably have no difficulty in getting priority pricing service, offshore banks with more occasional needs complain of delays and poor quality work.

Exaggerating

MAS officials say they are aware of the problem, although they feel some bankers may be exaggerating their difficulties. What is undeniable is that there is no overnight service — no printer who will guarantee, at a price, to take in urgent late work and push it through for delivery next morning, the officials concede.

MAS also says it is aware of a problem over legal services. In the early 1970s there were four international law firms practicing in Singapore. Over the years the number has been winnowed down to just one, an office of the U.S.-based Couder Bros.

In addition, some local partnerships are well versed, for example, in British commercial law. By and large, however, the depth of international legal expertise available bears no comparison with Hong Kong, where at least six leading U.S. firms have set up shop, bankers say.

Responsibility for approving the opening of new law offices lies with the attorney general's department. MAS officials say the word has been passed along that another two or three international firms would aid the market's development, but bankers say so far they have no indications of any imminent arrivals.

Once again, Singapore appears to be in the middle of a vicious cycle. The syndication managers prefer to work from Hong Kong because that is where the best services are, and the providers of the services prefer to work in Hong Kong because that is where the business is.

Hong Kong also benefits from its geographical position, some bank-

ers argue. It is better placed to service the highly active Northeast Asian economies — notably, on the syndicated loan side, South Korea. The Hyundai industrial group, for instance, recently took a \$44 million eight-year syndicated credit for heavy machinery purchases, and several more Korean deals could emerge before the end of the year.

Hong Kong, too, may look increasingly attractive in the future if the apparently huge financing needs of the Chinese economy start to come real in the commercial capital markets.

Singapore, of course, has a potentially vast territory for business in Southeast Asia. Loan demand there, however, has been relatively quiet in the past year, and much of the larger-scale business that has been done has not been directed to the Asian markets.

Indonesia, convalescing after Pertamina's foreign debt crisis, has taken small amounts of money, but a Government of Indonesia 100 million mark issue in September was sold through the Euromarket and, significantly, was listed only on the Frankfurt exchange, not in Singapore.

Malaysia refinanced \$500 million of existing debt in the first half of the year, at spreads considerably finer than those on the loan it retired. That was mainly a Euro-market exercise, and in any case the refinancing of existing loans at spreads cut to less than one percent is out the stuff bankers build their rosiest dreams on. More positively for the market, Esso borrowed \$200 million from a Morgan Guaranty syndicate in October for development of the oilfields offshore eastern Peninsular Malaysia. Again it was not essentially an Asian syndication, as evidenced by the floating rate interest definition, set in terms of the London interbank offered rate (Libor) rather than the Singapore interbank offered rate (Sibor).

Looking to the future however, the more optimistic bankers say they see signs of more active syndication business ahead, built on the re-emergence at last of major offshore energy development projects in the region. Thus in Thailand financing may be needed early next year for the building of a \$400 million undersea pipeline network to serve the country's vast natural gas discoveries in the Gulf of Siam. Financing may also be needed for platform building and drilling work, while in Malaysia several hundred million dollars worth of loan business is likely to be generated by the billion dollar liquefied natural gas project now going ahead at Bintulu in the east Malaysian state of Sarawak. The Hong Kong-based Chase Manhattan Asia Ltd. heading a three-bank consortium recently appointed financial advisers to help oversee the Bintulu project. Whether that will be followed up by syndication opportunities to the Asian market, and if so whether in Hong Kong or Singapore, remains to be seen, bankers noted.

For the time being, with the syndicated loan scene quiet, the undisputed stars of the offshore market have been the fixed and floating rate CDs.

Since the first floating rate issue by Dai-ichi Kangyo Bank Ltd. of Japan last November, altogether 15 floaters worth a total of \$270 million have been offered by 12 issuing banks. Issues all on the same terms of three-year maturity and 0.25-percent spread above six-month Sibor, have mostly been for \$20 million at a time, with the largest, for \$30 million, by the Bank of Tokyo in August and the smallest, for \$10 million each, by Fuji Bank in February and the State Bank of India in October.

Geographical Spread

Japanese banks have dominated the primary market, reflecting the Tokyo Finance Ministry prohibition on commercial bank bond issues. The geographical spread of issuers so far includes the State Bank of India, two local Singaporean banks, the Banque Nationale de Paris, and most recently, the European-Asian Bank.

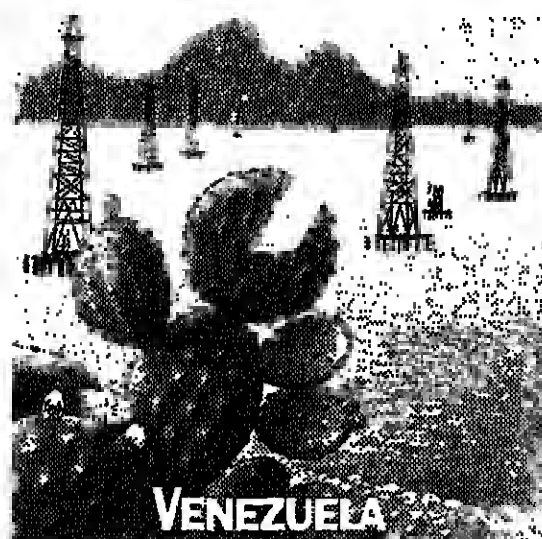
Issue activity faltered in midyear following a revision in "unofficial" Japanese Finance Ministry guidelines on Japanese banks' foreign loan cover requirements, which left several major banks temporarily over-funded with medium-term money. Activity picked up again in the last months of the year and should continue steadily through the coming year, bankers believe.

The fixed-rate CD market was launched by the MAS on Jan. 3, a couple of months after the start of floating rate issues, when an initial 26 banks were authorized to offer fixed-rate U.S. dollar CDs with maturities ranging from one month to five years, in amounts ranging upwards from \$50,000.

The market established itself quickly, with issues totaling more than \$300 million in the first quarter. It plateaued in the second quarter as the dollar hiccupped and U.S. interest rates hardened, but momentum picked up again in the third quarter, helped by the relatively stable currency and rate conditions that briefly appeared then.

Total fixed-rate Asian dollar CDs outstanding rose to \$406 million at mid-September from \$380 million at end-June, and by end-October had risen to \$435 million.

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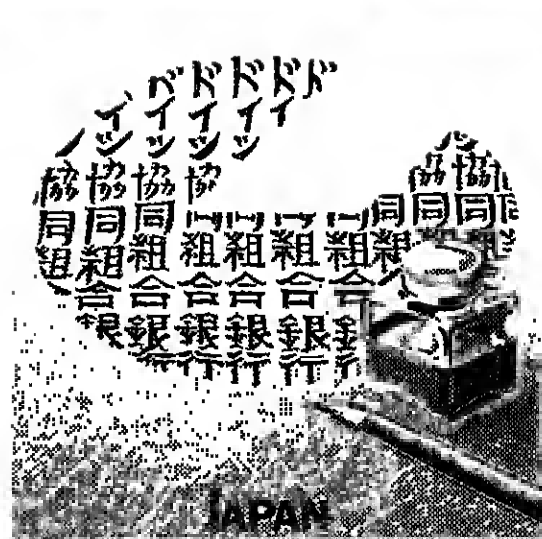
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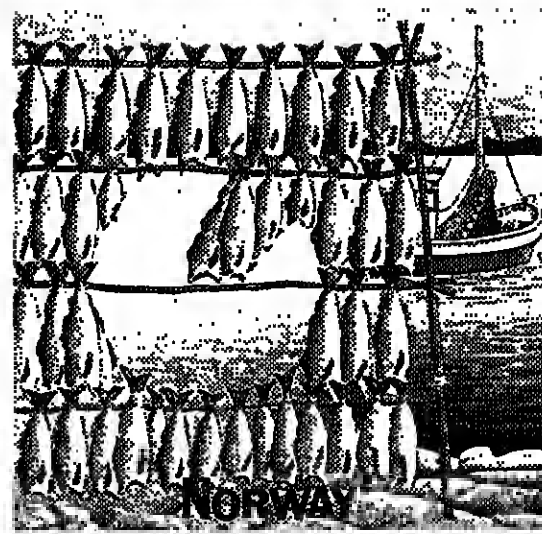
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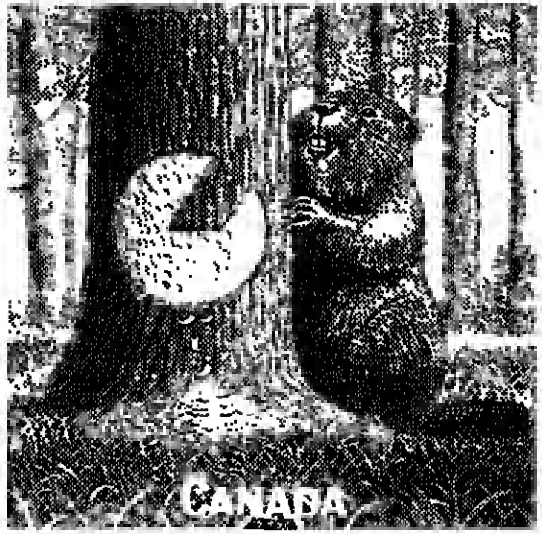
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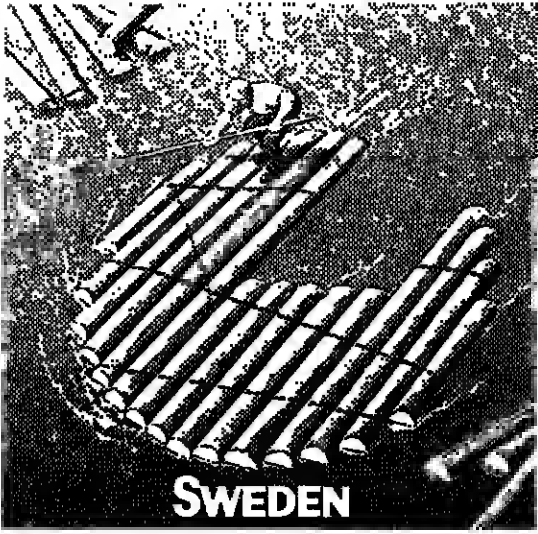
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Euromarkets

...But Volume on Foreign Exchange Market Has Boomed

(Continued from preceding page)

according to statistics gathered by MAS. Total issues in the same period rose to \$700 million at midyear, \$1.05 billion at end-September and \$1.1 billion at end-October.

Buyers of Singapore-issued paper have so far mainly been regional investors, contrary to pre-market guesses that initial demand would come largely from the United States.

Some U.S. and European demand has certainly been seen, but the marketmakers are generally scornful of midyear press comment reporting massive North American corporate investment in Asian dollar CDs, taking advantage of a 25-point premium reportedly offered by Singapore issuers.

Traders say that was uninformed speculation. Prime name issuers have generally followed a strictly competitive rate policy. "From the start prime U.S. names in Singapore have been able to issue CDs at a cost of 1/8 percent to 3/16 percent below the bid side for deposits in the interbank market — the same spread enjoyed by top names in London," comments Fock Siew Wah, treasury department manager in Morgan Guaranty's Singapore branch.

Less well-known local names may issue at a premium, but they have been a minority in the market. Of \$1.05 billion of fixed-rate Asian CDs issued up to September 29, the majority — \$602 million worth — were sold by U.S. banks, MAS figures show. European banks issued \$171 million, Japanese \$129 million, Singapore banks \$98 million and others \$52 million.

In the secondary market, floaters have generally not been traded on a two-way basis. Once the paper finds its way from the managers and marketmakers to the portfolios of their investor clients it tends to stay there, traders say.

But genuine two-way trading interest has developed for fixed-rate issues, albeit in somewhat irregular volume. Market analysts assess average daily turnover presently at between \$25 million and \$30 million, after peaking at \$60 million in one day during the last week of August.

For the time being the prospect is for a further shrinkage in trading volume reflecting the high cost of U.S. dollar funds — a negative carry recently on CDs has hardly helped, traders say. On a long-term view, however, the Singapore market has clearly established itself both as an issuing center and a useful secondary dealing center, and it should see good growth when favorable conditions return.

Disappointments

One slight disappointment has been a lower-than-hoped-for volume of sales to the Middle East, possibly reflecting the relative thinness of communications links between Singapore and Bahrain. That could change with next year's

planned opening of direct-dial telephone services, traders believe.

Another slight disappointment has been the shelving, for the time being, of plans to set up a CD market clearing system jointly owned by market participants. A committee chaired by First National Bank of Chicago (organizers of the London CD clearing system) reported in midyear that turnover in the Asian market was insufficient to support the facility. For the present, therefore, the market has continued to be served by the clearing arrangements made available by the Hong Kong and Shanghai Bank's Singapore branch. A second channel is expected to become available next year when the Luxembourg-based international bond dealer, Cedeel, proposes to link into Singapore through a depository facility operated by the local branch of Banque de l'Indochine et de Suez.

Cedeel's Singapore operation would handle both bonds and CD business, and, although nothing has so far been formalized, an announcement is likely before the end of this year, bankers said.

Beyond that, the jointly owned clearing scheme is on ice, but not dead. The committee report to MAS indicated it could be viable if market turnover doubled, bankers said. And if, as seems likely, the CD market in Singapore conforms to the London pattern, developing an outstanding volume equivalent to roughly 10 percent of the total Asian dollar deposit base, there should ultimately be sufficient trading turnover to support the facility, if it is still wanted.

"A doubled turnover doesn't seem a target difficult to achieve. For the time being it's best to keep to the present system using Hong Kong and Shanghai Bank, but there's no need to close our minds on alternatives," says one MAS official.

In contrast to the fairly healthy clip of CD business, bond business has languished most of the year. Dollar weakness and high U.S. interest rates between them choked both borrower and investor interest in medium and long-term fixed-rate paper (even in the relatively liquid CD market the trend has been heavily towards the short end, with 42 percent of outstanding fixed-rate issues comprising three-month CDs, and another 30 percent of six-month issues, a MAS analysis shows).

The surge of the Hong Kong and Singapore stock markets compounded the market's relative lack of attraction for investors while the development of a highly liquid domestic capital market in Japan cut off the flow of Japanese corporate issuers that sustained the offshore market in 1977.

Bond market specialists, however, do not seem too worried. Some draw an analogy with the Euro-bond market between 1972 and 1974, when a period of strong activity was followed by a year of dearth before issuers came back again for larger amounts than ever before.

Compared to the Euromarket, the Asian market has developed little capacity to place issues in currencies other than the U.S. dollar. The shortlived offshore Hong Kong dollar bond market experience is an example. On the deposit side, too, it remains almost entirely a one-currency market.

Just when the Asian dollar bond market is going to come back again is not clear, apparently not immediately. Only recently the European Investment Bank (EIB), one of the best-known names in the market after three borrowings in the last three years, reportedly tried to agree on a mandate for a fourth issue but could not reach accord with potential managers on the terms, market sources say.

Still, if the Euromarket analogy holds good and bond business returns in the next year in greater issue amounts than before, that in itself would help to solve one of the

long-standing problems of the Asian market — the shortage of suitable and willing borrowers.

If managers could offer potential borrowers an absorptive capacity of \$30 million to \$50 million in place of the present capacity of between \$20 million and \$30 million, many more quality names would be willing to undertake the relatively lengthy legal and administrative processes of a bond issue, the bond specialists argue.

More good names in the market would be a step towards a diversification that, increasingly, bankers see as the necessary next stage in

the market's development. Everybody seems to want diversification, but nobody seems too sure of the route to get there.

Some bankers talk in terms of diversification of instruments. After CDs, bankers acceptances have also been considered. But MAS officials point out that the Association of Southeast Asian Nations (ASEAN) bankers council has a regional bankers acceptance market under study, so Singapore will probably wait to see what comes out of that, they say. Cynics who have seen what usually comes out of ASEAN, or any attempt for that

matter to do internationally what has not been achieved nationally, could be forgiven for seeing that as a kiss of death.

Others talk of diversification of currencies, and geographical diversification of borrowers. Some progress has been seen on both those fronts in the last year with note issues by the Republic of Panama and the African Development Bank (ADB), a 40 million Euro-Asian mark convertible debenture issue by Casio Computer of Japan, and an offshore yen issue by the ADB. The trouble is, say some market-makers, they did not sell well in the

Asian market because of conservative investor resistance.

Compared to the Euromarket, the Asian market has developed little capacity to place issues in currencies other than the U.S. dollar. The shortlived offshore Hong Kong dollar bond market experiment is an example. On the deposit side, too, it remains almost entirely a one-currency market.

Perhaps the best prospect for diversification lies in the gradual and undramatic extension of the market through the continuing process of new bank openings. Banco do Brasil was one bank that opened a Singapore offshore branch this year, and followed up soon after by syndicating a loan for Goiás province. An earlier, but still recent entry, the State Bank of India, not only came to the market with a floating rate CD issue but is also reported to have developed an active foreign exchange business between the Singapore market and India.

Deutsche Bank established a Singapore merchant banking subsidiary in the last year, taking a leaf out of Dresdner's book, and bankers report Commerzbank is now applying. Dresdner Southeast Asia has established itself not only as the biggest merchant bank in assets in Singapore (although much of that represents booking of business done elsewhere), but also as a highly active foreign exchange trader. The growing presence of the big German and Japanese (Industrial Bank of Japan and Tokai Bank this year) banking houses has clearly played its part in the transformation of the foreign exchange market, and maybe in future will help effect a similar transformation of the deposit market.

The Singapore offshore market consisted at the latest count of 29 offshore banks, 28 merchant banks and 84 ACUs. As the network widens, so, inevitably, will the market. The question remains, however, of when Sally will be coming to stay.

Vienna 1977

Vienna, a city which often appears to visitors to be rather drab, is smartening itself up.

Palaces, museums, churches, theatres and the numerous large middle-class mansions — all witness to a dazzling past — have been given a new and sparkling facade. On the "Ring", the famous avenue encircling the Inner City, there is hardly a building left that has not now been given a face-lift.

The "Kärntner Straße", the "Bond Street" of Vienna, has been turned into a pedestrian area.

Why do we tell you all this? Vienna is currently going through the same process of transformation as some other European cities have already undergone.

Amsterdam, for example, London or Hamburg. Fresh colours, the many small shops, galleries, boutiques and restaurants all serve to rejuvenate daily life in the city.

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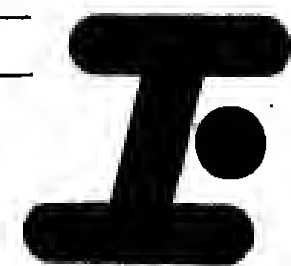
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Euromarkets

Despite Quotas, Rise of Franc, More Borrowing From Swiss

ZURICH (IHT) — Foreign borrowers continue to be hard to find, complain Swiss bankers. They grumble about the Swiss franc, which has risen enormously against major currencies over the years.

Curiously, rather more borrowers have come forward to tap the Swiss capital market this year than in 1977, which itself was a pretty good year.

According to the Swiss National Bank, there have been 44 public bond issues of foreign borrowers in the first nine months of this year, up from 36 in the same period a year ago. The volume of borrowing has risen to about SF 3.6 billion from SF 2.5 billion.

Redemptions, however, many of them early, have been running at a high rate. For the first nine months, these have totaled SF 2.7 billion, up sharply from SF 1.4 billion last year.

Still, the market has behaved more impressively than the figures

suggest because it has coped successfully with what was undoubtedly a shock last spring. At that time, the Swiss central bank and the government still believed that the cure for the Swiss franc's forceful rise could be found in blocking capital inflows. Acting on this belief, it announced a package of measures to do so. One of these set up a quota system for subscription to new bond issues of foreign borrowers, restricting nonresident foreigners to a maximum 35 percent participation.

Since then, Swiss thinking has changed. While the quota system continues to exist, the share for nonresident foreigners was broadened to 50 percent early last October.

Restrictions

The first set of restrictions last spring upset the interest-rate trend, which was towards lower coupons. The year started with 4½ percent coupons on 15-year issues of prime

borrowers. Citicorp Overseas Finance, Norges Hypotekforening, France's Caisse Nationale des Telecommunications and the Asian Development Bank all placed paper at this rate. Given the liquid state of the market, and with foreigners seeking Swiss-franc invest-

ment opportunities, the coupons dropped to 3¼ percent in February. Borrowers taking advantage of this included New Zealand, Oesterreichische Donaukraftwerke, the New Brunswick Power Commission and Hydro Quebec. At this point, the Swiss National

Of late, there is growing belief among some borrowers that the Swiss franc may have risen about as far as it is likely to and that the exchange risk is not as great as it has been in recent years. There may even be a chance of the trend going the other way — of the Swiss franc weakening — some Swiss bankers point out.

terms and the amounts in Swiss francs would have to be very carefully considered if the market is not to be upset.

The calendar of new issues this year has been full, but there have been few private enterprises that have tapped the Swiss capital market. "They're the ones who are usually very careful about foreign exchange risks," explains one banker.

Bond specialists say that the very low interest rates motivate most borrowers of Swiss francs. Because official, or semi-official agencies tend to concentrate on interest rates rather than on foreign exchange risks, these are the major borrowers on the Swiss market.

Growing Belief

Of late, there is growing belief among some borrowers that the Swiss franc may have risen about as far as it is likely to and that the exchange risk is not as great as it has been in recent years. There may even be a chance of the trend going the other way — of the Swiss franc weakening — some Swiss bankers point out. A Swiss official notes that there are some borrowers who will go wherever the funds can be found, and that some take the risk simply to show their flag on the Swiss market.

None of the above reasons has been enough to bring back U.S. British and other corporate borrowers, whose names still attract the Swiss and international investors. "They've been paying up and they've had their fingers burned (by the rising Swiss franc) so we don't expect them back soon," says one

banker. Of course, some major American banks have tapped the market this year, but it is thought that they needed the funds for their subsidiaries abroad so that the risk element was absent.

Dates

In recent years, the Swiss authorities have encouraged capital exports — through bond issues, private placements of notes and bank credits — so as to quickly redirect outwards the inflow of funds into Switzerland. As these capital exports have grown, bankers and economists have pointed out that the national bank has simply been postponing the day of reckoning. But now, with more and more early redemptions, this problem of later bunching appears to have lost some of its frightening aspect.

Moreover, rules of the national bank, in force since November, 1977, now require foreign borrowers to specify the redemption date. "No more open-ended stuff," is the way one official puts it. With the knowledge of upcoming redemptions, the Swiss central bank can make plans to cope with demand for its currency rather better than when borrowers have the option to decide when to redeem their paper.

Swiss bankers still hope that the national bank early next year will end restrictions of Swiss-franc investments by foreigners, although no one is quite certain when this may happen. In relaxing the rules last October, the national bank made an interesting change. While it retained the ban on new purchases by foreigners, it allowed the switching, through an investment account, not only from one bond or share to another, but from one market to another. Thus, a foreigner now can subscribe to a new bond issue, sell in the secondary market, and buy Swiss stocks, at this time the only route to such an end.

Bond dealers admit that this has been happening and that such movements have adversely affected the secondary market, while buoying the demand for new bond issues. Central bank officials decline to discuss the issue, which may well be a test to see what sort of capital inflows might result when the investment ban is totally lifted.

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Downward Trend

"What the national bank's restrictions did was to induce higher interest rates," says one banker in charge of this business at a major Swiss bank. The coupons rose to 4 percent, then to 4½ and finally to 4¾ percent before the market's mood changed in July, although some of the less than prime names had to pay 5 percent or more for borrowing Swiss francs.

However, one uncertainty is at what terms, and how much the U.S. Treasury plans to raise in Swiss franc bonds as part of its dollar defense program. Overall, the Treasury has said it will borrow up to \$10 billion by placing foreign currency notes. Dealers say that the

Since July, the trend once again has been downward. "Somewhere then, the investors changed their outlook and started coming back," says one bond dealer. In August, the World Bank tapped the market with a 4½ percent coupon, and Chase Manhattan with 4 percent in September, the World Bank successfully offered a 4-percent coupon and BankAmerica 3½ percent.

Bankers now say that this downward trend has hit bottom with American Express International Banking Corp. getting away with a 3½ percent coupon in November. "I think we'll see a gradual upward move, although nothing sudden," suggested one banker.

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Dry Period for Dollar Bonds

(Continued from Page 7)

the Swiss and other big European commercial banks certainly seem to have been able to use their in-house placing power to undercut the investment banks in pricing new issues and win more mandates from prospective borrowers.

European banks have also spent the last couple of years trying to get a foothold in the U.S. bond market, which now issues around \$5 billion worth of bonds for foreigners every year.

As one-third to one-half of all

Yankee bond issues are sold outside the United States to international investors, the banks have been able to secure underwriting and selling group positions in New York. But last year the European banks had their knuckles rapped for trying to introduce Eurobond tactics into the U.S. market and "re-allow" their selling group commissions to major bond buyers. The big U.S. investment banks, led by Salomon Brothers and Morgan Stanley, took a tough line. They had a problem. In the United

States, only members of the National Association of Securities Dealers are allowed "re-allowance" discounts. But in Europe there is no official distinction between dealers and retail buyers, so it is harder to draw the line. The U.S. investment banks solved the problem by introducing a new clause into underwriting contracts that stipulated that Yankee bonds could only be sold at a discount to institutions that would then be prepared to re-offer them to other buyers at the public offering price.

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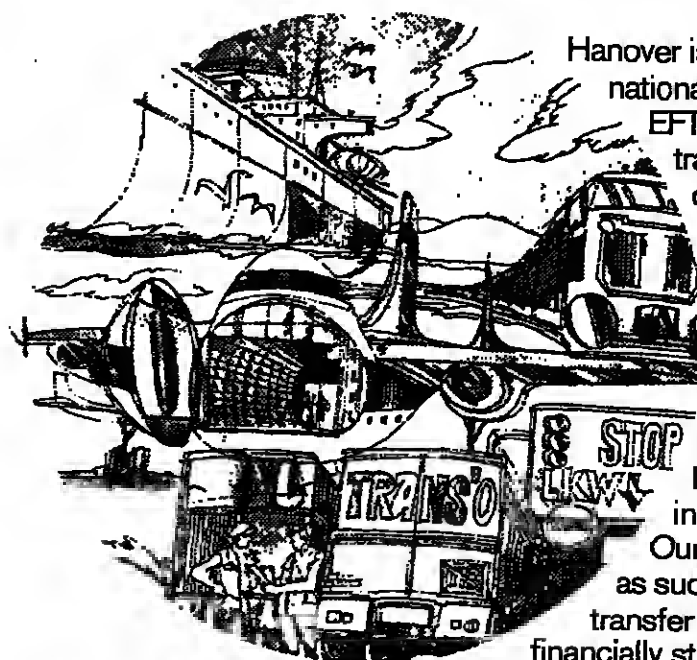
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Euromarkets

Rise in Yen Hampering Interest in Samurai Bond Issues

One of the government's objectives in liberalizing the issue of yen-denominated bonds was to encourage an outflow in capital to offset the large surplus in Japan's balance of payments. It required borrowers to convert the yen they obtained from the loans into foreign currencies one week after the issuing dates, thereby decreasing foreign currency reserves.

viss

By Robert Y. Horiguchi
TOKYO (IHT) — Foreign governments and public institutions trying to raise money on the yen market by issuing yen-denominated bonds are finding the going tougher as underwriters are standing better yields to attract investors.

This situation had led to a two-year suspension in the floating of yen-denominated bonds — which were being offered at the rate of three-to-five percent of funds each month between January and July this year.

The hiatus was broken in early August when a 25 billion yen Yenmark offering with a maturity of five years and a yield of 6.884 percent was the highest yield offered by a foreign borrower since 1977, when higher interest rates prevailed in Tokyo, being 5.58 percentage points above that of the similar ten-year 30 billion yen foreign issue by the Kingdom of Denmark in August, the sole foreign issue in the yen market.

This willingness of foreign borrowers to pay more for their money was seen to have opened the way for a resumption of Samurai bond issues, but at a slower pace. A 40 billion yen Norwegian offering was scheduled for late November and a

50 billion yen Australian issue in December.

By the end of August, the amount of Samurai bonds issued during the year totaled 572 billion yen, a little more than half the nine trillion yen figure for the whole year that had been anticipated in the early months of 1978 when these bonds were among the most sought-after securities in the Tokyo financial world.

This development has caused ripples in the Japanese financial community. One of the government's objectives in liberalizing the issue of yen-denominated bonds was to encourage an outflow in capital to offset the large surplus in Japan's balance of payments. It required borrowers to convert the yen they obtained from the loans into foreign currencies one week after the issuing dates, thereby decreasing foreign currency reserves.

Downward Pressure

A strong downward pressure has developed on bond prices in general in the Tokyo secondary market largely because of an overflow of Japanese government bonds. This is due in large part to the government's 34 trillion yen budget for fiscal 1977 that is being deficit-fi-

nanced through the issue of bonds that will amount to approximately 11 trillion yen by the end of the fiscal year in April.

Large amounts of these bonds have remained unsold with the result that by the end of August, 10-year bonds were being traded on the secondary market at 4 percent below their issue price. This situation has since improved as farming cooperatives, flush with funds obtained from the Treasury in payment for the rice crop, made large purchases of government long-term bonds. The market price recovered to 1.22 percentage points below issue price by the end of October.

To alleviate the glut, the govern-

ment for the first time in history postponed to November its October issue of 70 billion yen in discount bonds with a five-year maturity that was to have been underwritten by a syndicate of banks and security houses.

The government is resisting the market pressure for higher coupons on new issues as this would result in a drop in value of its outstanding issues. It is also restricting domestic private issues by insisting that their coupon rates be kept low.

This has made it difficult for securities houses to unload new issues of government, corporate and Samurai bonds.

Security analysts see a growing investor orientation towards short-term securities as contributing to the popularity of yen-denominated foreign bond issues, most of which have 10 to 15-year maturities.

that a semi-governmental entity has to cope with in purchasing foreign issues, as before buying it must obtain the approval of its supervisory government agency. For example, the Railway Workers' Mutual Aid

Society, which manages a considerable amount of funds, is required to get approval from the Transportation Ministry. Farm cooperatives must get the nod from the Ministry of Agriculture.

The third factor that affects individual investors, according to the analysts, is the absence in Japan of a rating agency. Yen-denominated foreign bond issues are carefully screened by the Ministry of

Finance before they can be floated to protect investors, but the individual who buys the securities remains in the dark about the credit rating of the issuer or the amount of his aggregate indebtedness.

But, in the view of these analysts, the principal reason why Samurai bonds have lost their erstwhile glamour is the withering of foreign interest in them.

Overseas investors who had been avid buyers as the yen continued to rise, felt that a further revaluation of the yen was unlikely after it had reached its peak at 180 yen to the dollar in the summer months. Many of them began liquidating their securities to capitalize on foreign exchange gains, thus further aggravating market conditions.

Yankee Bonds: A Decline?

(Continued from Page 7)

becoming smaller" and foreign offerings now find a good reception in New York, New England, Chicago and the Northwest, he said. He predicted that their acceptability would spread to the Southeast and Southwest.

Growing acceptability in the United States, together with increased demand from the Japanese and the U.S. offshore insurers, has tended to reduce the interest-rate premium that foreign governments must pay in the Yankee bond market over what the U.S. government pays. One investment banker said that the premium has been cut in some cases in 70 basis points from 125.

IOUs

Parallel to the increase in foreign bond issuing activity in the United States following the 1974 removal of the IET has been heightened interest abroad in U.S. commercial paper — short-term IOUs with a maximum maturity of 270 days.

The commercial paper division within the United States, Yankee bonds have been winning wider acceptance among investors, said Jomon's Mr. Voute. "Years ago, people wouldn't buy a foreign bond," he said. But the "world is

becoming smaller" and foreign offerings now find a good reception in New York, New England, Chicago and the Northwest, he said. He predicted that their acceptability would spread to the Southeast and Southwest.

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of Moody's Investors Service Inc. estimates that foreign and foreign-owned companies had about \$3.5 billion of commercial paper outstanding as of June 30, 1978, up from about \$3.2 billion a year before. Investment bankers estimate that more than 35 such companies have tapped the market, and they add that many more are studying the possibilities of issuing commercial paper.

Siemens Capital Corp., a subsidiary of Siemens AG of Munich, announced plans in September to raise up to \$100 million. And in August, Svenska Handelsbanken became the first foreign bank to raise money in the market.

So far, the biggest borrower by a long shot has been Electricite de France, the government-owned utility. EDF, which started issuing U.S. commercial paper in 1974, had some \$1.3 billion outstanding in the market around mid-October, according to Goldman-Sachs, which acts as the utility's dealer.

Business Practices

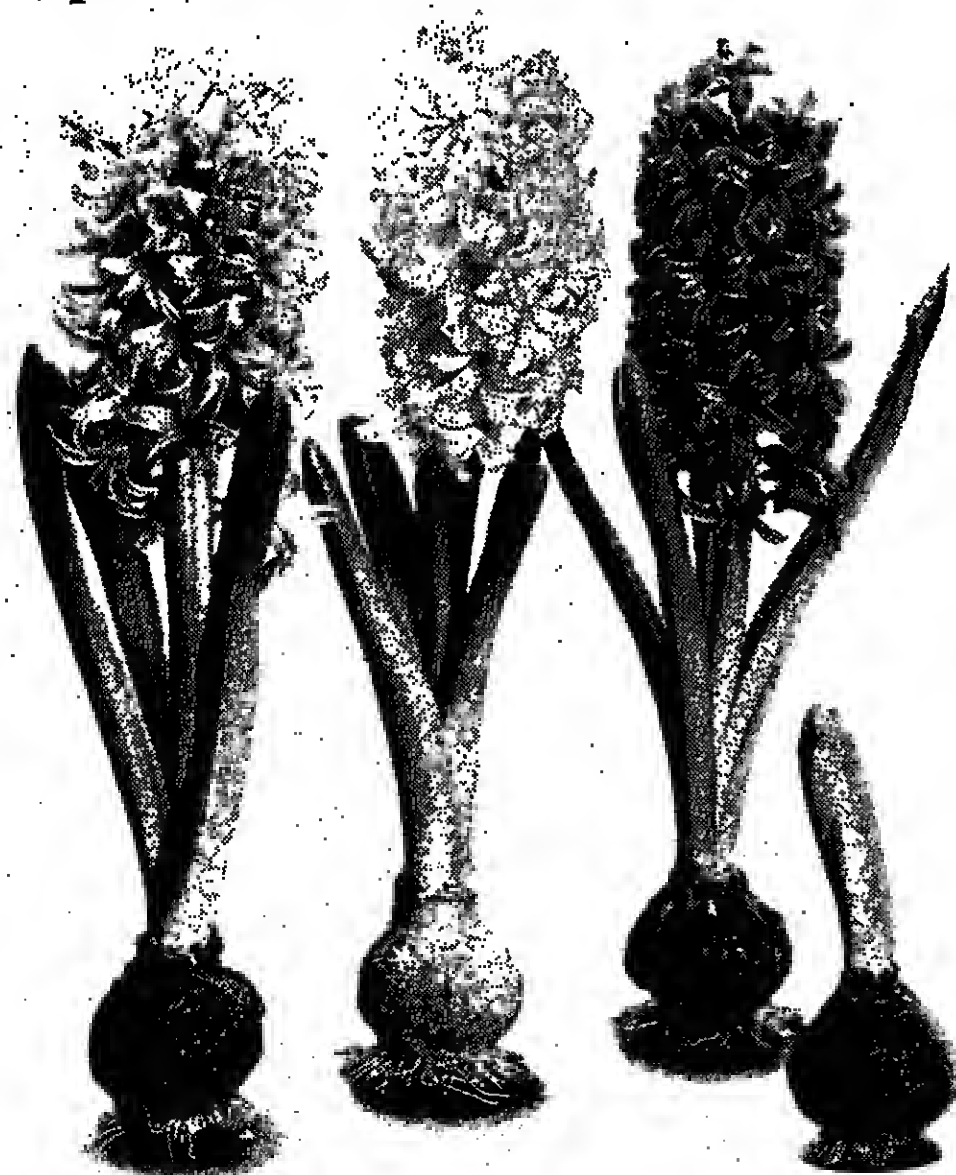
Other factors cited by these analysts as hampering the development of an active market in yen-denominated foreign bonds are the peculiar business practices prevailing in the country.

One of these is that, conditions being equal, a Japanese institutional investor will choose a domestic private issue over a foreign issue. The analysts attribute this tendency to the closely knit structure of Japanese business.

One analyst put it this way: "Suppose you are in charge of the portfolio of an insurance company. By buying the Japanese issue you acquire the merit of maintaining good business relations with the issuer, who will be more inclined to bring his insurance business to you when he learns you have bought his bonds. You can't hope for such side benefits with a foreign issue."

The same applies in a wide range of other businesses, he pointed out. Another factor is the red tape

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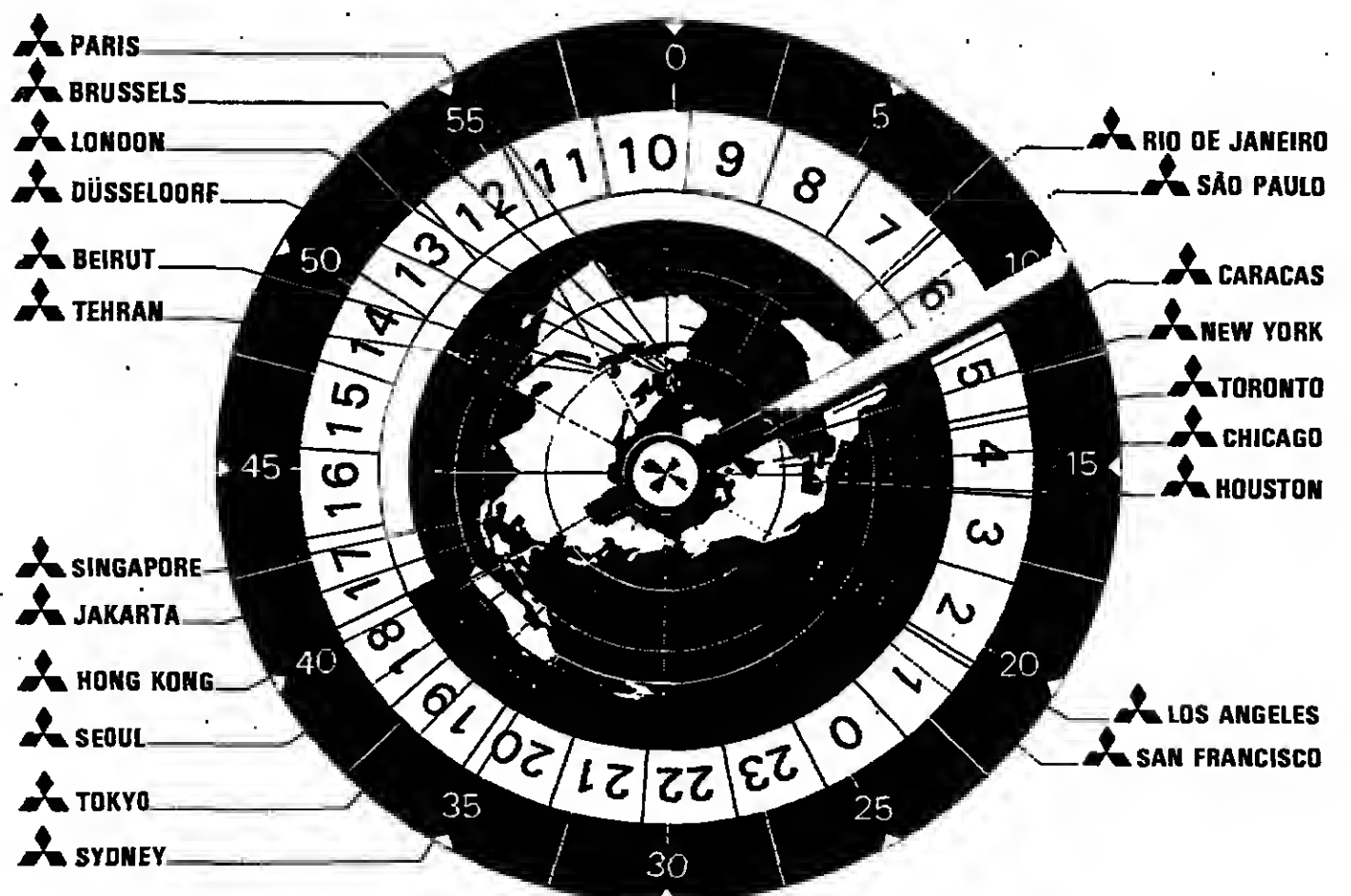
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Euromarkets

Arab Currencies: Uneven Development in the Money Markets

By John Townsend
MANAMA, BAHRAIN (IHT) — In spite of the growing sophistication of Arab financial institutions of international standing, the development of Arab currencies as genuine international exchange mechanisms, to be compared with the U.S. dollar or the Deutsche mark, remains uneven and has far to go. There are three, or possibly four, Arab currencies that in one way or another are used outside the national boundaries of the countries that issue them: the Kuwaiti dinar, the Bahraini dinar, the Saudi Arabian riyal, and possibly the United Arab Emirates dirham.

None of the four governments concerned has attempted to let its currency take the lead in international or regional money markets.

ment of a money market and that state's financial managers have earned a well-justified reputation for professional competence and acumen. Some would call the Kuwaitis overcautious and charge that the tight control exercised by the government and their central bank means that others pick up business that the Kuwaiti banks should have been able to get.

Kuwait has a thriving international bond market denominated in Kuwaiti dinars. So far some 35 bond issues have been made to borrowers as diversified as Sonatrach, the Algerian national oil and gas company, the African Development Bank, the Korea Development Bank, and the Republic of Panama. There is an active secondary market in KD bonds. In addition, Kuwaiti banks and finance houses were empowered by a law

promulgated in October, 1977, to issue another form of marketable security, short and medium-term certificates of deposit.

In spite of its undoubted success in developing international business, the Kuwaiti dinar market has not yet attracted a top class international corporate borrower. A casual observer could be forgiven for thinking that borrowers only go to Kuwait for their financial needs when they have been unable to raise money on the Euromarket. To this, Kuwaitis reply that Kuwait has really only begun to develop as

a financial center over the course of the last five years. During this time, enormous progress has been made, but Kuwaitis themselves are the first to recognize that they still have some way to go before their financial institutions can match the range and sophistication of Western institutions.

Another consideration that makes prudent international bankers cautious of the Kuwaiti market is that the Kuwaiti dinar's strength cannot be measured in a free market. The government of Kuwait holds its currency steady against a

basket of foreign currencies. Having a large balance of payments surplus, a surplus that will almost certainly continue until the end of the century, the Kuwaiti authorities could, if it suited them to do so, vary the exchange rate of the Kuwaiti dinar at will.

Much the same could be said of the Saudi riyal, of course. The Saudi Arabian authorities have made no attempt to match the Kuwaiti development of financial institutions that have a soundly based international reputation. Indeed, there are ambiguities in the Saudi approach to the management of its currency. An extreme conservatism

is the hallmark of these policies, but a dichotomy between official policy and day-to-day practice has developed. A prime example arises from the fact that the Saudi government has ruled that all contracts in the kingdom must be denominated in Saudi riyals. International contractors with an eye to margins buy their Saudi riyals forward on the Bahrain offshore market, and more than \$2 billion of the assets of the Bahrain-based offshore banks represent Saudi riyal loans.

The Saudi Arabian Monetary Agency (SAMA) is known not to be completely happy with the arrangement. On the other hand, if SAMA did not release the Saudi riyals, there could be no market, and contractors would not be able to get riyals for their contracts.

SAMA is also less than happy at the way that Saudi Arabian banks use the offshore market. Its restrictions on bank lending in the kingdom tend to be draconian; Saudi banks have realized that they can themselves use the offshore market in Saudi riyals to increase their domestic lending base. It could be that Saudi Arabia is witnessing the beginning of a conflict between the desires of ultraconservative non-commercial policymakers and the needs of a thriving business community that is becoming increasingly international in outlook. SAMA's policy of a rigid control of Saudi banking becomes less and less realistic in the developing national and regional business environment.

emerging as the leading regional financial center in the Gulf area for international banking. The difference between Bahrain and Kuwait is that the latter does not encourage foreign participation in its banking and financial business, keeping all management, control and profits firmly in Kuwaiti hands. Bahrain, on the other hand, is actively encouraging the establishment of foreign banks on the island. Although international financial transactions denominated in Bahraini dinars have so far been small, the market is well placed for growth and development.

The development of the U.A.E. dirham as a regional or international currency is held back by the continued political ambiguities of the federal structure of the U.A.E. that

have, so far, put a brake on the establishment of a strong and effective central bank and that have also encouraged a proliferation of commercial banks. In theory, the U.A.E. could compete with Bahrain and Kuwait. Indeed, given the strength of its financial base (the oil revenue surplus of Abu Dhabi), and the outstanding commercial flair of some of its leading figures, the U.A.E. ought to become the most effective regional financial center in the Gulf. Indications are that this could still happen, but it will not until national policies are stronger than the policies of individual emirates and until the debate between the directive policies of Abu Dhabi and the apostles of laissez-faire in Dubai and Sharjah has been resolved.

Weak-Currency Bonds a 'Flop'

PARIS (IHT) — The difficulties in reopening the primary market for French franc Eurobonds in September illustrate the pronounced sensibilities of the international capital markets.

The French treasury engineered the revival after a two-and-a-half year halt with a 200 million franc bond issue from the European Investment Bank (EIB). Although lead manager Credit Commercial de France claimed the issue was a success, most other underwriters groaned at the difficulty of placing the 10-year paper, and secondary market performance indicated a continuing need for support. Some observers even used the word "flop," although many consider the term too harsh.

Nonetheless, keeping to its timetable of one issue a month for a probationary period, the French authorities prodded another franc issue last month. The seven-year 100 million franc issue from Unilever already looked better than the EIB bond. Besides the smaller, amount and shorter maturity, the Unilever issue sported a 10-percent coupon, a quarter-point higher than EIB's.

There were many complaints about the choice of EIB to lead off the French franc revival. The lending institution of the European Economic Community already has a reputation for seeking tight terms and is in the process of aggressively extending both the volume and

length of its issues. And for many investors, a supranational address is less attractive than the rarer first-class corporate borrowers.

But the basic problem with the EIB issue, underwriters conceded, was not really the borrower nor even the terms, but the currency. The timing for this first issue was hardly propitious — harder currencies, like the Dutch guilder, had already been chased into a temporary retreat from the international capital markets.

Too Great a Risk

The Eurodollar bond sector itself finally succumbed to the fatal combination of plummeting currency value and skyrocketing interest rates. The French franc weakened while the EIB bond was on offer, and the rate for six-month Eurofrancs moved up to 1.5 points above the EIB coupon. Nor does the short-term outlook for the franc, in view of internal politics and the speculation surrounding the creation of the European monetary system (EMS), promise much security.

And so bond dealers expected that the Unilever issue, despite its relative merits, would find few takers outside France. The currency and interest-rate considerations simply make the French franc too great a risk for international bond investors.

These same factors were responsible for the demise earlier this year of the short-lived revival of sterling,

dealers say, not to mention the virtual disappearance of the Canadian dollar. While much of the commentary regarding the pound fiasco concentrated on the surprisingly incompetent behavior of the managers in congesting the market and misreading the trends, dealers or the Continent say the major underlying reason for the disaffection with sterling was renewed skepticism regarding the pound's stability. Six-month Eurosterling rates have remained above 13 percent of late. The secondary market for sterling Eurobonds was among the hardest hit last month.

The Canadian dollar has all the problems of the U.S. dollar, and more. Despite the U.S. dollar's steep decline against world currencies this year, the Canadian currency has lost almost 7 percent against its U.S. counterpart, falling to U.S. \$0.84. The Deutsche mark, which has appreciated 80 percent against the U.S. dollar since 1972, has gained 116 percent against the Canadian unit — a gain second only to the mark's 150 percent appreciation against the Italian lira.

Canadian dollar new issues still totaled U.S. \$654 million last year, or 3.4 percent of total Eurobond issues. This was less than half of the \$1.45 billion issued in 1976, which represented 9.4 percent of that year's total. But this year, the currency has practically disappeared from the primary market and underwriters only snort when it is mentioned. —D.D.

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Takushoku Bank, Ltd., we are popularly known throughout Japan as "Takugin", a contraction of Takushoku ("development") and "ginko", the Japanese word for bank.

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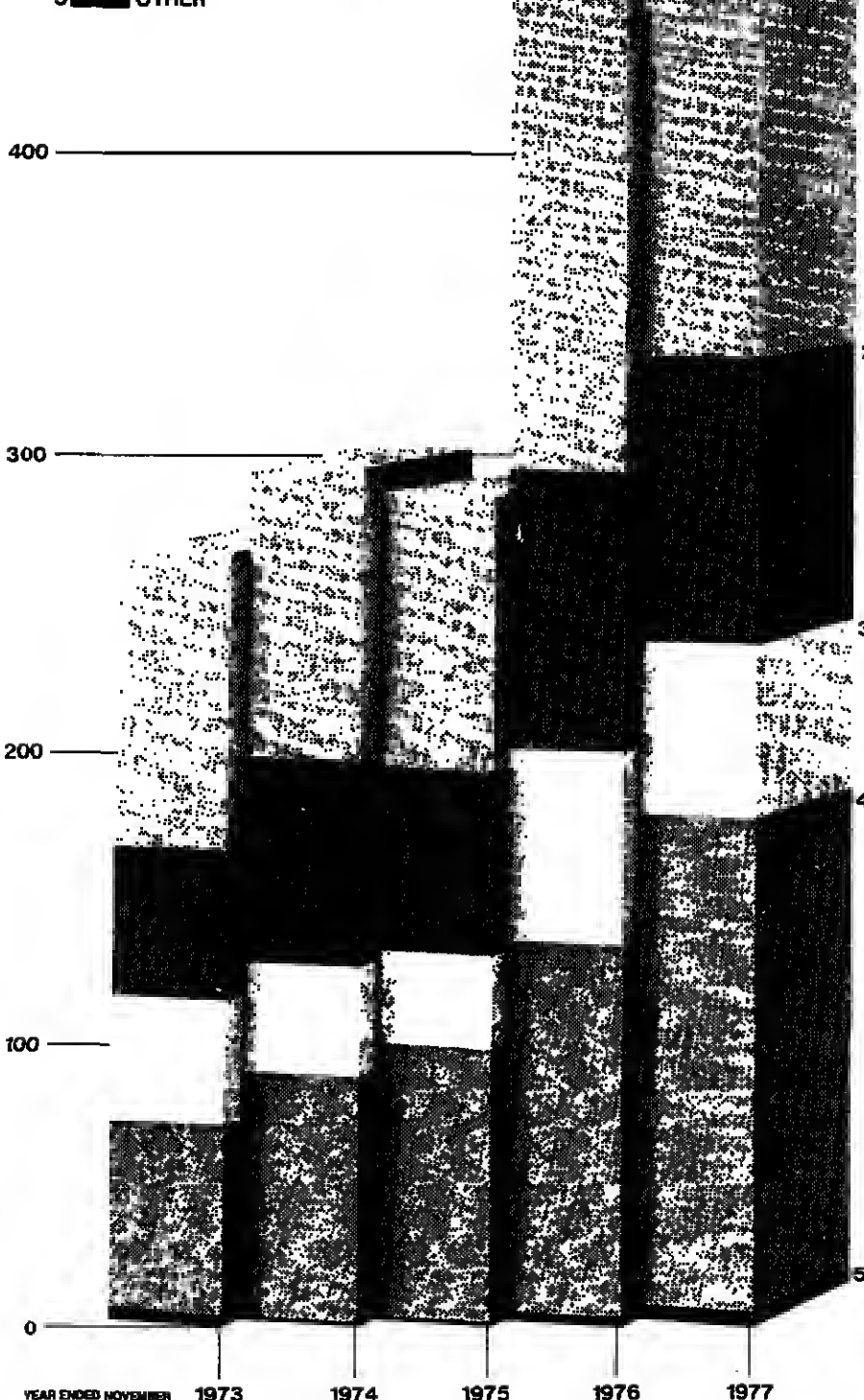
International Dept. 2-12 Nishimachi 1-chome, Chuo-ku, Tokyo 100 Phone 03-2722-6611 Telex 222801 Overseas Offices: London, Osaka, Seoul, New York, Los Angeles, Seattle, Chicago, Houston, Hong Kong Subsidiaries: Takagun International Asset Ltd. Hong Kong

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SALES PERFORMANCE BY PRODUCT CATEGORY

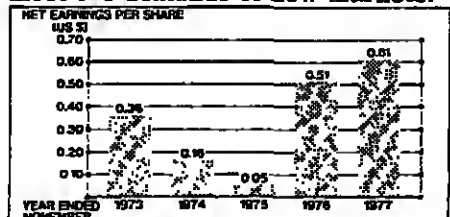
(Million US \$: ¥200=1\$)

1. FERRITE CORES AND MAGNETS
2. COIL COMPONENTS AND MEMORY DEVICES
3. CERAMIC CAPACITORS
4. MAGNETIC RECORDING TAPES
5. OTHER



TDK is one of the world's largest manufacturers of ferrite materials and components, and magnetic recording tapes. In 1935, we started production of ferrite, a basic magnetic material which spawned a whole range of successful products over the following four decades.

The proof of their success is in our growth: sales have increased at a compound annual rate of 18.4% over the last five years, net earnings at 17.4% and earnings per share at 14.1%. Return on sales averaged 7.5% during the same period. The key to growth has been our magnetic material design and production skills, and our ability to meet the demands of new markets.



Ferrite cores and magnets

These products, used mainly in televisions, videotape recorders, radios, audio and communications equipment, have recorded compound annual sales growth of 18.4% over the last five years. The automobile industry is another expanding market for magnets. Coil components and memory devices

Continuous introduction of high value-added products has increased sales at 15.0% annually. With a relatively short life cycle, we have placed emphasis on anticipating trends in such diverse markets as lighters, cameras, televisions and computers. Ceramic capacitors

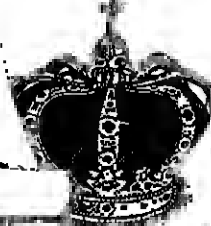
Strong sales of ceramic capacitors for use in a variety of electronic products including watches and microwave ovens have resulted in compound annual sales growth of 8.6%. New product developments such as piezoceramic and semiconductor heating elements promise continued expansion. Magnetic recording tapes

At 26.6% annually, this has been the fastest growing sector of the company. Audio fans have benefited from our innovations in magnetic materials. Applying these advances to videotape has resulted in superior products and another boost to sales.

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As Germany's oldest publicly-owned (joint-stock) bank and one of its largest, with 480 branches and more than DM 54 billion in assets, Hypo-Bank enjoys a reputation for modern, innovative banking.

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U.K. Said Wavering
On EMS Decision

LONDON, Nov. 27 (AP-DJ) — British Prime Minister James Callaghan "emphasized" in his weekly television address that the British government has not yet decided whether to join the European Monetary System (EMS), but Italy has made a tentative decision to go ahead with the move, beginning Jan. 1, informed the sources said today.

The sources said that a decision could be taken at a cabinet meeting sometime later in the week. The decision is expected to be made in the next few days, they said. The British government is expected to announce its decision on whether to join the EMS, but on different terms, depending on whether British sources said today.

The sources said that Mr. Lynch expressed little enthusiasm for an "associate membership" in the EMS — an idea the British appear to be contemplating. Mr. Lynch reportedly believes that the EMS should be embraced by the member countries choosing to join. Britain is reluctant to join the EMS, the sources said.

Mr. Lynch reportedly did not show any enthusiasm in his talks with Mr. Callaghan for attempting to link start-up of the EMS with a reform of the EEC Common Agricultural Policy.

Mr. Andreotti will also discuss EMS problems tomorrow with Roy Jenkins, president of the EEC Commission.

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FINANCIAL NEWS AND NOTES

Vauxhall Raises Prices 5%

Vauxhall Motors says it raised car prices by 5 percent effective Nov. 27. The General Motors unit is the first British car manufacturer to announce new price rises since the last round in early summer. Other manufacturers are expected to follow Vauxhall's lead.

Mobil Dutch Appraisal Well Positive

Mobil Producing Netherlands Inc. says it completed drilling P/6-4a appraisal well in Block P/6 on the Dutch continental shelf which indicates a possible extension of the known gas accumulation on the block. Plans for commercial development of the field are subject to further assessment, it says as operator for a consortium. The consortium comprises Mobil 50 percent, Newmont Oil International 12.5 percent, Adbco 7.5 percent, St. Joe Petroleum-Holland 6.25 percent, Candel Oil 6.25 percent, Holland Sea Search 5 percent, Keweenaw Industries 5 percent, Tanks Oil and Gas 5 percent and Tanks North Sea 2.5 percent.

BMW Sees 14% Sales Rise

Bayerische Motoren Werke 1978 parent company sales should rise around 19 percent to 5.93 billion Deutsche marks from 4.99 billion DM last year, managing board chairman Eberhard von Kuenheim

China Allows 49% Direct Investments

PEKING, Nov. 27 (AP-DJ) — In an apparent effort to attract foreign investment, China has offered to allow foreigners to make direct investments, so long as the Chinese continue to own at least 51 percent of any joint venture.

The new policy was recently disclosed here to a French economic delegation which was led by Francois Giscard d'Estaing, president of the French External Commerce Bank, and which met Chinese officials including Vice Premier Kang Sheng and Xu Ming, deputy head of the State Planning Commission.

In the French delegation were top executives of 17 major companies, including representatives from banking, manufacturing, electronics, building materials and chemicals.

Today, French minister of foreign trade Jean Francois Deniau held talks here with his Chinese counterpart, Li Chang, and they "extensively exchanged views on

furthering economic and trade relations" between the two countries.

Mr. Deniau is reportedly here to sign a long-term trade agreement discussed earlier (HT, Oct. 13) and calling for exchanges of up to \$11.4 billion.

A delegation from the West German state of Saarland visiting in Peking also said it expects a 1-billion-mark Chinese order to plan, build and equip seven coal mines which will have a yearly capacity of 10 million tons.

In the past few days, Chinese officials have also reiterated the new policy to several British businessmen. In addition, Yuji Okazaki, representative in Peking of the Japan Association for the Promotion of International Trade, said Japanese companies also have been approached by Chinese authorities about forming joint ventures.

The apparent reason for the switch in Peking's policy is that joint ownership lightens China's own investment burden. Although foreign banks are eager to make credits available to China, a joint venture, in which China held a 51-percent stake, would mean that almost half the borrowing liability would be removed from China's shoulders.

This would permit China to make better use of the credit available and advance simultaneously on more projects, thus speeding economic modernization.

Meanwhile, a group of Dutch companies has moved a step closer toward completing a agreement with China for construction and dredging projects, initially valued in excess of about 2 billion guilders.

World Orders In Shipbuilding At 13-Year Low

LONDON, Nov. 27 (AP-DJ) — World merchant shipbuilding order-book tonnage fell in the 1978 third quarter by 2,345,475 gross tons to 28,123,576 tons, the lowest level since September 1965, according to Lloyd's Register.

More than 80 percent of the order book at the end of the quarter was due for delivery by end-1979, Lloyd's added.

The data exclude China and the Soviet Union and cover ships of 100 tons or more but not counting wood or non-propelled craft. The third quarter tonnage level continued a decline from the record 133.4 million tons set in March 1974, Lloyd's added. Moreover, intake of new orders for the first nine months of 1978 at 5.7 million tons was less than 44 percent of total output for the period at 13.1 million tons.

Soviet Grain Put at High

MOSCOW, Nov. 27 (Reuters) — Soviet President Leonid Brezhnev said this year's grain harvest totaled a record 235 million tons, 5 million tons above preliminary estimates. He gave the figure in a speech to a plenary session of the Communist Party's central committee. The previous record was 223.8 million tons in 1976. Last year's harvest was 195.7 million tons.

Saudi Oil Exports Up

RIYADH, Nov. 27 (Reuters) — Saudi Arabia's oil exports in October rose to an average 8.88 million barrels daily from 7.52 MBD in September, undersecretary of oil and mineral resources Abdel-Aziz al-Turki said, the official Saudi Press Agency reported.

Experimental Alumina Plant Set

Aluminium Alcan de France, an Alcan group of Canada unit, along with Aluminium Pechiney, a unit of the Pechiney Ugine Kuhlmann group, say they are ready to start producing alumina on an industrial scale using minerals other than bauxite. The two companies, which in 1974 set up a pilot plant in the south of France to test the "H-Plus" process developed by the French partner on a semi-industrial scale, found that the 20 tons of alumina obtained from the plant was of higher quality than that produced from bauxite using the traditional Bayer process. They will now carry out studies to find the optimum technical, geographical and economic conditions for setting up a full-scale plant with an output of between 50,000-100,000 tons annually and to determine which raw materials should be used. The pilot plant produced alumina from such minerals as clays, kaolin and coal shale.

Rise in GNP Seen

WASHINGTON, Nov. 27 (Reuters) — China's gross national product, which is now one-fifth of U.S. GNP, could reach more than half of U.S. GNP by the year 2000, the Congressional Joint Economic Committee said in a report. The report, a collection of papers by 35 economists, estimated China's GNP growth rate from 1958 to 1977 at 5.5 percent with an industrial growth rate of 9 percent over the same period.

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Auto Sales Post Mid-November Gains

Wall St. Prices Higher in Thin Trade

NEW YORK, Nov. 27 (Reuters) — Some late bargain hunting and a steady tone for the dollar pushed prices on the New York Stock Exchange higher today in light trading.

The Federal Reserve apparently confirmed it had tightened credit slightly. However, the market took in stride the prime rate boost to 11 1/2 percent which became industry-wide today.

The Dow Jones industrial average gained 3.72 points to 813.84 and advances led declines 803 to 637. Volume rose to 19.79 million shares from Friday's 14.59 million.

A 33.7-percent jump in sales by General Motors Corp. pulled an otherwise sluggish auto industry to a 13.6 percent sales gain in mid-November. Combined sales of the Big Four car firms during the Nov. 11-20 period totaled 247,353 units, compared with 217,804 a year ago.

Ford, Chrysler and American Motors each reported declining sales for the period, continuing a slump that has afflicted the three firms for most of the autumn. GM gained 1 1/2 to 56%, Ford added 1/2 to 41%.

Gaming issues dominated the action with mixed results. Caesars World, the volume leader, lost 1/2 to 25% but Bally Manufacturing added 1 1/2 to 42%.

Rohr Industries said it received follow-on component orders from two facilities of Boeing totaling a procurement of \$218 million. Rohr gained 1/2 to 15% and Boeing added 3/4 to 6%.

A federal district court judge granted Daylin Inc.'s request for a preliminary injunction to stop Uarco Inc. and the Illinois secretary of state from the Illinois business takeover act but he delayed the effect of the order pending Uarco's appeal to the U.S. Court of Appeals.

Cleveland-Cliffs Iron Co. president Samuel Scovil said the company should report record results for this year.

Prices on the American Stock Exchange also rose, with the market-value index up 0.25 point to 148.84.

In Chicago, soybean prices led most grain futures downward on the Board of Trade.

At the close, soybeans were 7 1/2 to 13 cents lower, with January contracts quoted at \$6.73 1/4; wheat was 3 1/2 cent higher to 4 1/2 cents lower, December \$3.70 1/4; corn was 1 1/4 in 2 1/2 cents lower, December \$2.27 1/4 and oats were 1 1/4 to 2 1/2 cents lower, December \$1.31.

Study Says U.S. Fuel Rule Burdens Chrysler, AMC

DETROIT, Nov. 27 (NYT) — A government-sponsored study has concluded that federal regulation of the automobile industry is causing economic hardship for the nation's two smallest car manufacturers and could threaten their survival in the event of a recession.

"Even a minor recession in the next eight years," the study, conducted for the National Highway Traffic Safety Administration, read, "is likely to destroy the abilities of Chrysler and American Motors to maintain their announced investment programs to meet established regulatory requirements."

"The impact on Chrysler of even a modest recession might be catastrophic, forcing the company to begin to dispose of marketable assets or to abandon some product lines."

The study of the economic impact of federal safety, fuel economy and pollution regulations was conducted by Harbridge House Inc., a Boston-based research concern that has done other studies for the federal government. With the Carter administration already having reduced government regulation of airlines and the natural gas industry, on the ground that the rules aggravate inflation, the study is sure to intensify the debate over the costs and benefits of auto industry regulation.

Official Critical

The year-long, \$439,000 study, which will be formally presented to the safety agency next month, was welcomed by Chrysler and American Motors officials as supporting their own contentions regarding federal regulation. But it was criticized by an official of the safety agency, who suggested that Harbridge House had uncritically accepted the assertions of the industry.

The study says the two largest auto manufacturers, General Motors and Ford, are likely to increase their share of the market between now and 1985 because they are most capable of financing the costly design and tooling programs needed to meet federal safety and fuel-economy requirements in the 1980s.

GM already produces almost 60 percent of the domestic-built cars sold in the United States and Ford has slightly more than one-fourth of the market. Chrysler has about 12 percent of the market and American Motors about 2 percent.

The study also says that American Motors is being placed "in an even more precarious position than the one it currently occupies" by federal fuel-economy laws. Those

Shipment of machine tools, however, were little changed on balance at \$267.35 million in October compared with September. The October order backlog was \$3.26 billion, compared with \$3.11 billion in September and \$2.7 billion at the start of the year.

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Machine Orders Up 24% in U.S.

WASHINGTON, Nov. 27 (Reuters) — U.S. machine tool orders rose 24 percent in October to a record \$414 million from \$334.7 million in September and were 73 percent higher than in October 1977, the National Machine Tool Builders Association said over the weekend.

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Open	High	Low	Close	Chg.
PIR CATTLE				
75.00 cents per lb.				
74.50	75.10	74.60	75.10	+ .10
74.80	75.57	74.40	75.20	+ .20
74.65	74.85	74.60	74.85	+ .20
74.90	75.00	74.80	75.00	+ .10
74.70	74.85	74.55	74.55	+ .45
74.30	74.55	74.00	74.35	- .15
74.10	74.30	73.80	74.10	+ .20
74.40	74.55	74.40	74.50	
Est. sales: 2,216; sales Wed. 2,725				
open interest Wed. 20,027, up 586 from				
POGS				
75.00 cents per lb.				
75.05	75.17	75.05	75.32	- .10
75.30	75.50	75.27	75.68	+ .15
75.10	75.40	75.07	75.78	+ .05
75.45	75.60	75.50	75.40	- .02
75.00	75.15	75.00	75.10	- .70
75.10	75.25	75.00	75.10	- .10
75.10	75.40	75.00	75.05	- .10
75.20	75.40	75.05	75.75	+ .65
Est. sales: 4,397; sales Wed. 7,774				
open interest Wed. 21,532, off 411 from				
BELLIES				
75.00 cents per lb.				
67.85	68.00	67.20	68.72	+ .50
67.60	68.40	66.95	67.92	+ .70
67.90	68.05	66.90	67.77	- .73
66.85	65.75	64.90	65.98	+ .55

[illegible][illegible][illegible][illegible]

NYSE Index					SWISS	
	High	Low	Close	N.C.		
Sale	52.56	52.36	52.56	+0.72	Dec	6
Rate	53.47	53.26	53.23	+0.72	Nov	6
Rate	52.76	52.41	52.57	+0.81	Nov	6
Rate	53.31	53.01	53.05	+0.65	Sept	6
Rate	55.70	55.42	55.59	+0.98	Sept	6
I-Lot Trading in N.Y.						
Shorts						
Nov 24	84,745	165,308	1,270		Dec	6
Nov 25	100,773	206,773	1,270		Nov	6
Nov 26	114,520	228,115	1,326		Nov	6
Nov 27	119,333	242,795	1,384		Nov	6
Nov 28	121,697	251,429	1,583		Nov	6
All totals are included in the sales figure.						
American Most Active						
Sales Close Ch.						
IA	285,100	31 1/2	+		Dec	6
IA	81,200	50	+		Dec	6
IA	32,300	17	+		Dec	6
p	53,900	4 1/2	+		Nov	6
p	33,400	18 1/2	+		Nov	6
IA	40,100	17 1/2	+		Nov	6
Cara	39,000	4 1/2	+		Nov	6
IA	37,900	9	+		Dec	6
IA	32,700	5 1/2	+		Dec	6
IA	30,300	2			Nov	6
				Prev.		
				AMEX	247	
				Close	247	
(in millions)				2.64	2.67	
Up				0.88	1.57	
Up (in millions)				265	164	
Down (in millions)				1.13	0.65	
High				243	204	
Low				816	737	
Low				16	3	
Low						
Close						
Ch.						

November 22, 1978				
FRANC	Nish	New	Close	Chg
575169	0.2862	0.5769	0.5816	-0.0049
575197	0.2929	0.5797	0.5798	-0.0001
575214	0.3041	0.6181	0.6142	-0.0039
575235	0.2995	0.5825	0.5795	-0.0030
575293	0.4440	0.4427	0.4440	-0.0014
GER				
57525	0.4775	0.4775	0.4775	-0.0025
57531	0.4751	N.T.	0.4698	Unch.
CH FRANC				
N.T.	N.T.	N.T.	0.5229	Unch.
N.T.	N.T.	N.T.	0.5295	-0.0045
N.T.	N.T.	N.T.	0.5236	Unch.
Unsettled				
57513	0.5123	0.5103	5102	-0.052
57518	3242	3242	3239	-0.001
57524	3347	3345	3341	-0.010
N.T.	N.T.	N.T.	5475	-0.0026
N.T.	N.T.	N.T.	5915	Unch.
Unsettled				
57530	1.9410	1.9385	1.9410	-0.0075
57527	1.9230	1.9190	1.9290	-0.0025
57526	1.9715	1.9696	1.9718	-0.0005
57528	1.9715	N.T.	1.9722	Unch.
JAPAN DOLLAR				
57545	0.8597	0.8480	0.8594	-0.0029
57572	0.8532	0.8520	0.8529	-0.0041
57546	0.8545	0.8525	0.8540	-0.0015
N.T.	N.T.	N.T.	0.8510	Unch.
CHE MARK				
57577	0.5226	0.5191	0.5224	-0.0009
57578	0.5232	0.5201	0.5223	-0.0009
57590	0.5420	0.5397	0.5418	-0.0015
57595	0.5225	0.5246	0.5223	-0.0010
57523	0.5355	0.5329	0.5353	-0.0015

Test	Prev	High	Low
79.80	71.80	108.80	55.40
109.10	109.10	119.70	64.64
156.11	157.06	164.46	143.16
464.90	479.90	535.90	412.60
943.91	943.91	958.91	796.62
81.34	86.44	82.52	55.45
119.67	119.23	127.35	76.10
579.95	579.95	584.77	451.19
442.00	441.74	442.00	364.00
5,979.44	5,986.44	5,985.44	3,867.91
361.00	367.00	342.00	289.50

IP: old

Monday's Highs and Lows

NEW HIGHS—12

Mallory	Shardox
McMarnEx	Sharnett
PageEnt	TimeEnt
PageEnt	UnivFds

NEW LOWS—35

GracoCwd	Pennary J
GulfStnA	Pnwft 1,604
IUnTA	PGE 12,526
Intercorp	RlyRef Tr
Kelliga Co	Shun Min
Mesa	Singer Co
Mesta Mch	Talcott Nat
MWH Pch	UnivFds
NewP 1,267	VoEP 7,724
Owml 4,757	VoEP 5,855

Nov. 27 (Reuters) — The United States will issue between 2.5 and 3 billion Deutsche marks worth of bonds on the West German market before mid-December, money-market sources said today. The sources, who spoke at the OECD on the sidelines of payments here, said the bonds would only be sold to German banks, not to central banks.

EUROPE'S FINEST JEWELLERS HAVE SOMETHING VERY SPECIAL IN COMMON.

Audemars Piguet

GENEVA: GÜBELIN
60 Rue du Rhône
LES AMBASSADEURS
20 Quai du General Guisan
KUNZ & Cie.
23 Quai des Bergues

LONDON: ASPREY
165 Bond Street
GARRARD
112 Regent Street
GRAFF
55 Brompton Road

PARIS: ALDEBERT
1 Bd de la Madeleine
9 Rue du Fbg St.Honore
Palais des Congres C.I.P.
CLERC
4 Place de l'Opera
FRED
6 Rue Royale

ROME: BEDETTI
11 Piazza San Silvestro

BULGARI
Via Condotti

ZURICH: GÜBELIN
32 Bahnhofstrasse
LES AMBASSADEURS
64 Bahnhofstrasse
MEISTER
33 Bahnhofstrasse

	Yest	Prev	Nigh	Low
Amsterdam	70.80	71.00	71.00	65.60
Brussels	109.10	107.25	110.75	94.00
Frankfurt	156.11	157.00	164.46	141.16
London 20	454.10	479.00	535.50	425.60
London 500	343.01	401.36	265.02	265.02
Milan	69.34	68.44	82.52	55.65
Paris	116.67	119.25	127.26	78.10
Sydney	570.96	619.70	564.79	441.11
Tokyo Int	442.00	441.74	442.00	344.04
Tokyo Int	5,079.44	5,068.44	5,068.44	3,867.91
Zurich	301.00	302.00	342.00	297.50

Int new Ip old

Monday's New Highs and Lows

NEW HIGHS - 12

Ansol Co	Mallory	Shandor n
CaesarsWld	McMoran Ex	Shandor n
CessnaAir	NRphate Ex	TimeIn pft.57w
Freest Min	PopeProd	UnivFds

NEW LOWS - 25

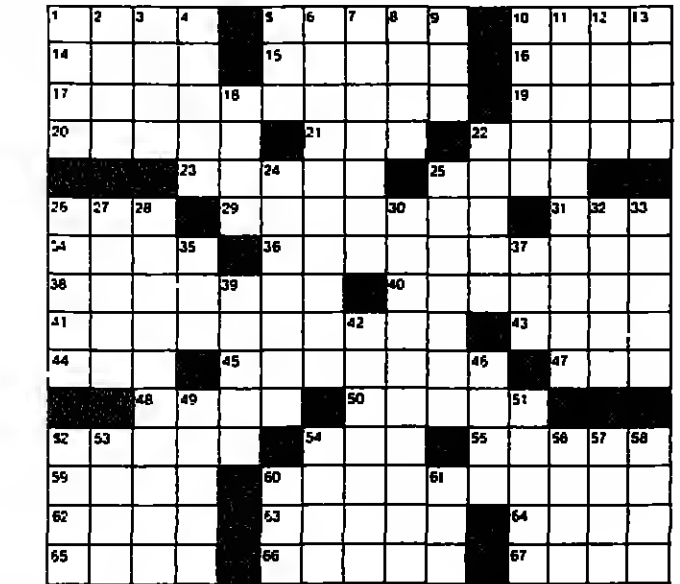
AloP 9.44pt	GraceCo wd	Pennov JC
AmcorInc pf	Gulf Sto Ut	Pnwft 1.40pt
Conal Rand	10 Int At	PSE 12.25pt
Cascade NGs	Infrakine IGs	RivRd Tr
Celan 97A	Interseco pf	Shoen Min
CnPw 2.43pt	Kelllogg Co	Sherr Labor
ConDor pf	Marytas	Shoen Co pf
Culbro Co	Metro Mach	Talcort Not
Curr Comm	MwEd pfH	Unifund
Dussne L2	MWW 2.50pt	NevP 1.55pt
FDDeorbn S	NevP 1.55pt	VoEP 7.72pt
WdFtFin	Owml 4.75pt	VoEP 2.50pt

Carter Bonds Seen Soon

PARIS, Nov. 27 (Reuters) — The United States will issue between 2.5 to 3 billion Deutsche marks worth of bonds on the West German market before mid-December, monetary sources said today. The sources, attending talks at the OECD on balance of payments here, said the bonds would only be sold to German residents, not to central banks.

CROSSWORD

By Eugene T. Maleska



- ACROSS**
- 1 Identifying symbol
 - 5 Growing out
 - 10 Lifting device
 - 14 Nick or wedge
 - 15 Fictional uncle
 - 16 Harrow's rival
 - 17 Valed
 - 19 African ravin
 - 20 A.L. player
 - 21 Time-table abbr.
 - 22 Sublease
 - 23 Pierre's earth
 - 25 Be persuasive
 - 26 Toque, e.g.
 - 29 Colonial dances
 - 31 Stark peak
 - 34 Stage direction
 - 36 Bonus or fringe benefit
 - 38 Russian czar
 - 40 Anonymous
 - 41 Single
 - 43 Around: Prefix
 - 44 Planes
 - 45 Endeavors
 - 47 Turl
 - 48 T.V.'s Johnson
 - 50 Carrying cargo
 - 52 Cabbage or spinach
- DOWN**
- 1 Kind of bean
 - 2 Port of Algeria
 - 3 Signal bell
 - 4 Beginning
 - 5 Miso
 - 6 Imaginary place
 - 7 Dabbler
 - 8 Bluefin
 - 9 Superlative ending
 - 10 Treasured object
 - 11 Continually
 - 12 Disguise the meaning
 - 13 Furrow the brows
 - 18 Kind of school: Abbr.
 - 22 Varnish ingredient
 - 24 Rejoinder
 - 25 Rusty
 - 26 King in '11
 - 27 Claudius
 - 28 Nerve-cell process
 - 29 Intended to expedite
 - 30 Taniamount
 - 32 Alamogordo's
 - 33 Drafted again
 - 35 Check
 - 37 Dimwit
 - 38 Snide
 - 42 U.S. labor leader: 1887-1946
 - 46 Ornamental pattern in art
 - 49 Musical piece
 - 51 Chutpah
 - 52 Mail sign
 - 53 On - with
 - 54 Where Hays once presided
 - 56 Grandparental
 - 57 Headland
 - 58 Forest unit
 - 60 Neuralgic symptom
 - 61 Little girl's nickname

WEATHER

	C	F		C	F
ALBUQUERQUE	16	61	Overcast	MASSACHUSETTS	30
AMSTERDAM	11	52	Cloudy	MILAN	26
ANKARA	11	52	Mist	MONTREAL	-14
ATHENS	15	59	Overcast	MOSCOW	-1
BEIRUT	20	68	Fair	MUNICH	-1
BELGRADE	11	52	Overcast	NEW YORK	-1
BERLIN	11	52	Overcast	OSLO	-3
BRISBANE	23	73	Cloudy	PARIS	4
BUENOS AIRES	14	57	Cloudy	PRAGUE	3
CASABLANCA	16	61	Cloudy	ROME	14
COPENHAGEN	11	52	Cloudy	SOFIA	4
COSTA MESA	14	57	Cloudy	STOCKHOLM	3
DUBLIN	4	39	Fair	TEHRAN	13
EDINBURGH	11	52	Cloudy	TEL AVIV	21
FLORENCE	11	52	Overcast	TKYO	13
FRANKFURT	11	52	Overcast	TUNIS	9
GENEVA	11	52	Overcast	VIENNA	14
HELSINKI	11	52	Overcast	WARSAW	9
ISTANBUL	15	59	Cloudy	WASHINGTON	2
LA PALMA	21	70	Cloudy	ZURICH	1
LONDON	11	52	Overcast		
LOS ANGELES	17	63	Fair		

(Yesterday's readings U.S. and Canada at 1700 GMT; Los Angeles at 2000 GMT; all others at 1900 GMT.)



BOOKS

THE CEMENT GARDEN
By Ian McEwan, Simon & Schuster. 153 pp. \$8.95.
PANAMA
By Thomas McGuane, Farrar, Straus & Giroux. 175 pp. \$7.95.
Reviewed by John Leonard

OF IAN MCEWAN, I know nothing except that he is the author of a volume of highly regarded stories, "First Love, Last Rites," and this short, creepy and astonishing novel, "The Cement Garden," is astonishing because it takes materials so familiar from recent literature as to amount to a kind of dross of modernism — the psychopathology of family life, sinister shifts in sex roles, infantile regression, libidinal politics, tribal moves and transmits them into something dark and glowing. The effect is as if Henry James had written William Golding's "Lord of the Flies" after having read one of R.B. Laing's nightmares.

Where are we? In England, at the end of the world — the end of the family, end of civilization. Fresh houses have collapsed. Towns of apartments are unoccupied. A father, a quiet beast, decides to cement his garden but dies before he can do so. A mother seems then to die almost of her own withering domesticity. Four children remain in a house too big for them. They are afraid that the state will take them away to orphanages and foster homes. They bury their mother in a trunk in the cellar, wrapped in sheets and covered with cement.

What follows is an account of their accommodation, their evolving conception of themselves as a "powerful, secret army," as told from the point of view of the oldest boy, a pimply 15-year-old reader of science-fiction and a compulsive masturbator. They are dangerous flowers in this house where the meat rots in the cellar and their sexuality, as if from a compost of confused emotions, blooms like nightshade. The odd thing is that the reader comes to root for them, against the state and against Derek, the moneyed snooker player who invades their dream with his rationality and the authority of his disgust. They are, as a social unit, natural and primal, but also impulsive and impacted. Their house is the oldest of caves, and their games are shadowy.

Just about everything of craft that can be done right is done right in "The Cement Garden," from the cement at the beginning to the sledgehammer at the end. The children are never permitted to be merely symbolic; the specifics of personality are respected; the silences are eloquent. A sort of science-fiction in reverse is proposed, a mythic sleep. Disquieting, I suppose, is the word for this novel, as well as "accomplished" and "astounding." McEwan sneaks up and stabs us in the heart.

Whereas, of Thomas McGuane much is known by most fiction watchers. He arrived with a bang 10 years ago, with his first novel "The Sporting Club," and has been going downhill ever since, with "The Bushwhacked Piano," "Nine-two in the Shade" and now "Panama." Whether his going downhill has anything to do with the megabuck Hollywood screenwriting, to which he is disposed, is a matter for purists. The fact remains that a writer who was once upon a time wacky and droll is now sloppy and droll, and he doesn't seem to me to have earned his self-pity.

"Panama" is set in Key West, Fla., where McGuane hangs out when he isn't in Montana with his horse or in Hollywood with his gagabucks crowd. Panama is where Catherine Clay got married, if you think, and represents a busted cover movie. Really is a seedy Key West downer with Cubans and real estate developers. This "he" is McGuane calls it is the best character in the book. Second best is Catherine, who doesn't want to be involved in Chester's madness or more, but who can't help herself.

Illusions of Grandeur
Chester's disease, aside from standing "for those who have made themselves up" and from believing that he is related to Jesse James, that he was "an overnight sensation." That is, as a rock star somehow managed to identify an emphysematous demented spirit of time. He is famous for having appeared on stage out of the bowels of an elephant to do his act with a baiting practice machine.

Is he, then, like the Norm Mailer described by Wilfrid Sheer following "the Chesteronian principle of exploring the psychosis proper to the group, the identity, the madness, and letting it enter like an exorcist opening himself to the devil?" No. He is hurrying a third nostril into his nose by sniffing cocaine, and he wants his wife back, and he doesn't want his back, and he blames America for himself, and who cares?

"Panama" is about stardom, cocaine, wives, fathers, the City War, Jesse James, nuns, mass culture, bad money and bad faith. There is some good writing in and some bad, and McGuane seems not to know the difference. Everything of craft that must be done right is done wrong: the boy and gun at the beginning have a redeeming meaning at the end. Only Catherine exists as a character, and she is hard to take. The book isn't written; it is hallucinated. The reader is asked to do it writer's work of imagining, and the reader wasn't willing, and I do think it was my fault.

John Leonard is on the staff of The New York Times.

New Translation Of Bible Passes Million in Sales

NEW YORK, Nov. 27 (NYT) — The newest translation of the Bible, designed specifically for the booming evangelical market, has sold 1.2 million copies just four weeks after publication.

A translation by evangelicals for evangelicals, "The Holy Bible, New International Version" was intended to blend old and new, seeking to preserve much of the King James Version's familiar phrasing while dropping "thee" and "thou" and other archaic language.

The Zondervan Corp. of Grand Rapids, Mich., a leading evangelical book house, is the sole publisher under license by the New York International Bible Society, which financed the translation and owns the copyright.

"It has no parallel in Bible translation history, first in terms of the number of scholars that worked on it and second in the transnational nature of it — the meeting of so many backgrounds," the Rev. Young Kindberg, head of the Bible society, said.

The project cost \$2.25 million, took 10 years to complete and was the work of 115 men and women from more than a dozen evangelic denominations.

The result is the latest in a series of modern versions intended to replace the three-century long dominance of the King James Version in the English language.

BRIDGE

By Alan Truscott

On the diagrammed deal, South reached an excellent contract of six diamonds. The bidding followed a normal course for two rounds. North's jump to four diamonds was, of course, forcing, and suggested slam interest. In spite of holding a minimum, South cue-bid his spade ace, recognizing that this must be a crucial card. The partnership was using a specialized system of Blackwood responses now favored by many experts, and the five-spade response showed the diamond queen together with two key cards, counting the king of trumps as the equivalent of an ace.

The opening club lead was won with the ace in the dummy, and South had to maneuver to avoid the loss of a club trick. He cashed the diamond ace and played three rounds of spades, planning to throw the club loser. But East ruffed with the diamond jack, so she adjusted her plan and overruffed.

The heart ace was cashed, and a heart was ruffed. Another spade was led, and if East had ruffed, South would have thrown his club loser. East discarded a club, so South was able to ruff and another heart.

The last spade from dummy at last provided a discard for the club loser in the closed hand. Now dummy's club could be ruffed, and the diamond king was the only trick for the defense. Notice that it would not have helped East to discard the heart king on the fourth round of spades, for South would then have led the heart queen and thrown dummy's club with the same result.

NORTH
♠ KQ932
♥ J
♦ A10862
♣ A9

EAST
♠ 75
♥ K105
♦ KJ4
♣ Q1065

SOUTH (D)
♠ AQ674
♥ AQ63
♦ Q853
♣ 72

Neither side was vulnerable. The bidding:
South West North East
1 ♠ Pass 1 ♣ Pass
2 ♦ Pass 2 ♦ N.T. Pass
3 ♠ Pass 3 ♠ Pass
Pass Pass
West led the club three.

INTERNATIONAL FUNDS
ADVERTISEMENT
November 27, 1978

The net asset value quotations shown below are supplied by the Funds listed with the exception of some Swiss Funds whose quotes are based on issue prices. The following marginal symbols indicate frequency of quotations supplied for the day: (d)—daily; (w)—weekly; (m)—monthly; (r)—regularly; (i)—irregularly.

BANK JULIUS BAER & Co. Ltd.

— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95
— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95
— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95

BANQUE VON ERNST & Co.

— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95
— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95
— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95

BRITANNIA TRUST INVESTMENT LTD.

— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95
— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95
— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95

CAPITAL INTERNATIONAL

— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95
— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95
— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95

CREDIT SUISSE

— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95
— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95
— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95

DIT INVESTMENT FRANKFURT

— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95
— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95
— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95

FIJOLITY PO Box 678 Hamilton, Bermuda

— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95
— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95
— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95

FIJOLITY PO Box 195, St. Helier, Jersey, C.I.

— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95
— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95
— 1d 1st Bond Fund	SP 741.95	— 1d 1st Bond Fund	SP 741.95

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ROTSCHILD ASSET MGMT. (Bermuda)

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UNION BANK OF SWITZERLAND

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JUMBLE THAT SCRAMBLED WORD GAME
by Hahn Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

IKKAH
UPDYM
ANSTUE
NITTEY

WHAT THE CAPTAIN OF THE ARK SAID HE HAD NO SHORTAGE OF.

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: (Answers tomorrow)

Yesterday's Jumbles: TOXIN ELATE FALTER MIDDAY
Answer: If an alteration is required, you should get it from this — A "NEAT TAILOR"

Imprimé par P.I.O. - I. Bd. Ney Paris 75018

DENNIS THE MENACE

Aw, NOM... DON'T CHANGE EARS! IT'S LUNCHTIME!

Handwritten signature or mark.

Win, 17-16, on 46-Yard Kick

Seahawks Outlast Raiders With Last-Play Field Goal

OAKLAND, Calif., Nov. 27 (UPI) — Efron Herrera kicked a 46-yard field goal to give the Seattle Seahawks a 17-16 victory over the Oakland Raiders and thrust the third-year expansion team into the National Football League playoff picture.

The victory put Seattle one game behind the AFC West co-leaders, Oakland and Denver, both with 8-5 records. It was the Seahawks' second victory over Oakland this season, marking the first time since 1965 that a team has beaten the Raiders twice in one season.

Trailing, 16-14, with 2:25 to go, the Seahawks marched into Oakland territory after the Raiders failed to capitalize on a 4th-and-one from the Seattle 20.

During the game-winning drive, Jim Zorn completed five passes for 52 yards to put the Seahawks in position for Herrera's successful kick.

The Raiders' problem was compounded when Earl Mann missed the extra-point attempt after a 31-yard touchdown pass from Ken Stabler to Dave Casper with 5:29 left put Oakland ahead.

Oilers 17, Bengals 10

At Houston, Ronnie Coleman ran four yards for a touchdown late in the second quarter and Rich Caster caught a 47-yard scoring

pass moments later to help the Houston Oilers beat the Cincinnati Bengals, 17-10.

The Oilers had to stage another comeback after trailing, 10-0, early in the second quarter. Cincinnati, 1-12, scored on a 7-yard pass from Ken Anderson to Don Bass and on Chris Baker's 34-yard field goal.

But after that, the Bengals threatened to score only one more time. Just before halftime, Bahr kicked a 38-yard field goal attempt wide to the left. Houston's defense smothered the Bengals in the second half, allowing them 51 total yards and not allowing them inside the Oilers' 40-yard line.

The Oilers' offense, held to minus 17 yards in the first quarter, began moving midway through the second period on the runs of Earl Campbell. He gained 122 yards on 27 carries and broke the club single-season rushing record and Doo Woods' NFL single-season rookie rushing record.

Patriots 35, Colts 14

At Baltimore, Steve Grogan passed for 247 yards and two touchdowns and Mike Haynes returned a pass interception 36 yards for a touchdown as the New England Patriots opened a two-game lead in the AFC East with a 35-14 victory over the Baltimore Colts.

Grogan, who completed 9 of 20 passes, threw 23 yards to Harold Jackson in the first period and 75 yards to Stanley Morgan in the third quarter for touchdowns. Andy Johnson ran 11 yards in the third quarter and Sam Cunningham four yards in the fourth quarter to score for the Patriots, now 10-3.

The Colts, 5-8, scored on Lyle Blackwood's 21-yard touchdown return of a pass interception and Bill Troup's 19-yard pass to Ron Lee.

Bears 14, Buccaneers 3

At Chicago, Roland Harper rushed for more than 100 yards for the first time in his pro career, gaining 144 yards on 25 carries, and Walter Payton picked up 105 yards in 27 carries to rally the Chicago Bears to a 14-3 triumph over the Tampa Bay Buccaneers.

It was the first time since 1955 — when Bobby Watkins had 115 yards in 14 carries and Rick Casares 115 in 16 carries in a 52-31 triumph over Green Bay — that the Bears have had two backs gain more than 100 yards in the same game.

Payton ran three yards for the Bears' first touchdown, capping an 80-yard drive in 10 plays, and quarterback Bob Avellini rolled out three yards for the second score.

Tampa Bay, slowed by the Bears throughout the game, still got the first points on Neil O'Donoghue's 44-yard field goal in the second period.

Chiefs 23, Chargers 0

At Kansas City, Mike Livingston threw a pair of touchdown passes 85 seconds apart late in the first half to tie the Kansas City Chiefs to a 23-0 victory over San Diego, snapping the Chargers' four-game winning streak.

The young Kansas City defense intercepted five of James Harris' passes and recovered a fumble to post the team's first shutout since 1973.

Livingston hit Henry Marshall with a 29-yard touchdown pass to cap a 67-yard drive with 1:42 left in the half, giving Kansas City a 10-0 lead. The Chiefs got the half right back two plays later when linebacker Whitney Paul intercepted Harris' pass at the San Diego 47.

Livingston scrambled 14 yards for a first down on a third-and-2 and hit Ted McKnight with an 11-yard pass to move the ball into position for the second touchdown, a 6-yard pass to Larry Dorsey with 17 seconds left in the half.

Eagles 14, Cardinals 10

At St. Louis, Ron Jaworski threw a 22-yard touchdown pass to Charles Smith and set up another

score with a 48-yard pass to Richard Osborne to lead Philadelphia to a 14-10 victory over the St. Louis Cardinals.

The Eagles, who had lost nine straight games to St. Louis, raised their record to 8-5. The defeat ended the Cardinals' four-game winning streak and dropped their record to 4-9.

Jaworski finished with 13 completions in 25 attempts for 156 yards. The Cardinals' Jim Hart connected on 21 of 39 passes for 196 yards but had two interceptions, one at the Eagles' 7 and the other at the Eagles' 13 in the final quarter.

On the Eagles' first possession of the fourth quarter, Jaworski spotted Osborne racing down the right sideline and lofted a 48-yard pass to the tight end, who was bumped out of bounds at the six. Wilbur Montgomery gained four yards on two rushes before Mike Hogan leaped over from the two for the score.

The Cardinals' only touchdown came with 69 seconds left on a 1-yard pass from Hart to Pat Tilley. The pass was intended for Steve Jones but bounced off his hands and Tilley grabbed it. The Cardinals tried an onside kick but Philadelphia recovered and ran out the clock.

Divergent Paths Cross

SAN FRANCISCO, Nov. 27 (AP) — The Pittsburgh Steelers, on the road to the playoffs, try to avoid tripping over the San Francisco 49ers, on the road to nowhere, in tonight's National Football League game.

The Steelers have lost only to Houston and Los Angeles during the first 12 weeks of the season. The 49ers, heading for what could be the worst record in the franchise history, have beaten only Cincinnati.

However, the Steelers, who lead Houston by 1 1/2 games in the American Conference Central Division, need only think back to their last game against a team with one victory to worry against the 49ers.

In that one, against Cincinnati last Sunday, the Steelers escaped with a 7-6 victory. It was the second successive week that the Pittsburgh offense had scored just one touchdown.

Blushing Over the Ball

"The last few weeks, it's embarrassing," says center Mike Webster. "I don't know what the problem is. It's not timing. It's just execution. Something is off."

The 49ers, on the other hand, appear on the upswing despite a seven-game losing streak. They have been closer to victory in each of the three games under their new coach, Fred O'Connor, and new quarterback, Scott Bull, who took over one game after O'Connor died.

Last week the 49ers played perhaps their best game of the season in a 33-28 loss to the Rams.

Following that contest, the team cut cornerback Anthony Leonard, who gave up several receptions that set up Frank Corral's winning field goal for the Rams.

Thomas Cleans House

Leonard was a starter last season and for 10 weeks this year. He became the 14th starter to be cut or traded since Joe Thomas took over as general manager before last season.

The 49ers need a victory in one of their final four games to avoid winning fewer games than any team in club history, a distinction that currently belongs to the 2-12 squad of 1963.

A Steeler victory in any of the final four games would almost assure Pittsburgh a place in the playoffs for the seventh straight year since Houston is the only AFC team competing for a wild card spot with fewer than five losses.

NFL Standings

AMERICAN CONFERENCE									
Team	W	L	T	Pct.	PF	PA	Diff.	Streak	Record
New England	10	3	0	.769	219	222	+7	W	10-3-0
Atlanta	8	5	0	.615	218	248	-30	W	8-5-0
NY Jets	7	6	0	.538	204	281	-77	W	7-6-0
San Francisco	7	6	0	.538	194	301	-107	W	7-6-0
Buffalo	4	9	0	.308	247	300	-53	W	4-9-0
NATIONAL CONFERENCE									
Team	W	L	T	Pct.	PF	PA	Diff.	Streak	Record
Pittsburgh	10	2	0	.833	243	156	+87	W	10-2-0
Houston	9	4	0	.692	229	228	+1	W	9-4-0
Seattle	8	5	0	.615	285	278	+7	W	8-5-0
Cincinnati	12	0	0	.100	277	142	+135	W	12-0-0
Oakland	8	5	0	.615	272	279	-7	W	8-5-0
Denver	8	5	0	.615	209	248	-39	W	8-5-0
San Diego	7	6	0	.538	285	278	+7	W	7-6-0
Kansas City	5	7	0	.417	221	270	-49	W	5-7-0
THURSDAY'S RESULTS									
Dallas 27, Washington 10									
Cleveland 20, Los Angeles 10									
Buffalo 21, New York Giants 17									
New York Jets 34, Miami 10									
Atlanta 25, New Orleans 17									
Kansas City 23, San Diego 9									
Chicago 14, Tampa Bay 3									
Philadelphia 14, St. Louis 10									
Houston 10, Green Bay 10 (OT)									
Minnesota 10, Oakland 16									
New England 34, Baltimore 14									
Seattle 17, Oakland 16									
FRIDAY'S RESULTS									
Pittsburgh 31, San Francisco 10									



Earl Campbell of the Houston Oilers tries to fend off a Cincinnati Bengal tackler with a stiff arm.

Eskimos Win Grey Cup, 20-13

From Wire Dispatches

TORONTO, Nov. 27 — Dave Cutler kicked four field goals and Jim Germany added a 2-yard touchdown run here yesterday as the Edmonton Eskimos beat the Montreal Alouettes, 20-13, in the Grey Cup game for the Canadian Football League championship.

The victory gave the Eskimos their second title in the last four years and avenged their humiliating 41-6 loss to the Alouettes in last year's Grey Cup game.

Cutler kicked a 37-yard field goal midway through the first quarter, giving Edmonton a 3-0 lead, and Germany increased the margin to 10-0 about 2 1/2 minutes later with his touchdown run.

11-Point Halftime Lead

Don Sweet kicked a 33-yard field goal for Montreal with eight seconds remaining in the first quarter, cutting the margin to 10-3, but Cutler kicked his second field goal, a 34-yarder, and a single late in the second period, giving Edmonton a 14-3 halftime advantage.

Cutler increased the lead to 17-3 with a 42-yard field goal at 8:29 of the third period, then, after Montreal had closed within 17-13 midway through the final period, Cutler ended the scoring with a 25-

yard field goal with 51 seconds left in the game.

Montreal, whose offense was shackled during the first three quarters, began to unwind in the last period. Quarterback Joe Barnes scrambled for a 10-yard touchdown with 41 seconds gone in the final period and Sweet kicked a 34-yard field goal at 7:35.

Rare Cup Trip West

But it wasn't enough to give the Alouettes a second successive CFL title. Edmonton became the first team to win the Grey Cup from an eastern city.

There were the ritual champagne showers and horseplay in the Edmonton locker room after the victory, but there was none of the jubilation one might expect from a team that had just avenged last year's Grey Cup trouncing.

"Winning was more a relief, elation will set in later," said tackle Dave Fennell, the game's most valuable defensive player.

"We knew we had to go back to Edmonton with the Grey Cup, that's all," he said. "We just had to find a way. I knew I couldn't go through another winter [if we lost again]. This helps to ease the pain."

Last year's 41-6 loss in Montreal was a powerful incentive to the Eskimos all season.

"We just wanted a chance to come back and prove to everyone we weren't as bad as the score showed last year," said quarterback Tom Wilkinson, the most valuable offensive player. "But revenge wasn't a factor."

Alouettes Adjust

Meanwhile, defeat sat lightly on the Alouettes after their fourth Grey Cup appearance in the last five years.

Carl Crennel, who led a veteran defense that held the high-scoring Eskimos to one touchdown, said: "This team has a lot of pride. We would like to have won, but we aren't going to cry about it."

Montreal's coach, Joe Scannella, had similar feelings. "It's hard to lose the last game of the season, but I'm proud of the way we played," he said.

The biggest mystery was the performance of David Green, who was the team's main late-season offensive threat. Green, held to just 22 yards by the Eskimo defense, shook his head.

"It was very, very hard to run outside — I don't know what went wrong. Everytime I tried to get outside, they were there," he said.

The Gaudiest Game in Half a Century

By Red Smith

NEW YORK, Nov. 27 (NYT) — Notre Dame and Southern California, who met at football 50 times, and now they might as well knock it off. No use trying. If they played another 50 years, they could not match the gaudy theatrics of last Saturday's fourth quarter.

What made the implausible downright incredible was the reversal of roles in the second half. For 30 minutes and more, Paul McDonald, Kevin Williams, Frank Jordan, Charles White, Calvin Sweeney and the rest of the USC Trojans toyed with their visitors.

The score was 17-3 at halftime and 24-6 in the third quarter.

With the fine running backs, Vaggs Ferguson and Jerome Heavens, among the wounded, Notre Dame's attack was null on the ground and the next thing to void in the air. Then without warning, everything turned upside down. Unbelievably, Notre Dame scored three touchdowns and, with 46 seconds on the clock, a game that had been out of reach was won, 25-24.

Then with two seconds on the clock, Southern Cal won it back, 27-25. College football's oldest intersectional series produced some rabble-rousers in the past but never one like this.

White will return to school next

Bo Schembechler, the Michigan coach, had business in Columbus, Ohio, Saturday and probably couldn't watch USC on television, but the chances are that films of the game have reached him by now. Maybe between now and Jan. 1, he can discover a route that his pass rushers can follow to reach McDonald, the Southern Cal quarterback, in the Rose Bowl.

Secure as a cloistered nun behind the monsters in his offensive line, McDonald took his own sweet time throwing to receivers like Kevin Williams, whom the Notre Dame secondary shunned like a pollution.

And in between passes, McDonald handed off or pitched out to Charles White. A week before the Notre Dame game, with two games to go in the season, White broke the all-time rushing record for the Pacific-Ten, a conference that has rejoiced in running backs like O.J. Simpson, Ricky Bell, Anthony Davis, Mike Garrett and a dozen others.

Against Notre Dame, White added 201 yards, and he is only a junior with another full season to build up a conference record worth shooting at. He does it mostly by sheer speed, simply running past tacklers.

White will return to school next

Britain Off to Slow Start In Federation Cup Tennis

MELBOURNE, Nov. 27 (AP) — Britain made a shaky start today in the opening round of tennis Federation Cup.

Sue Barker and Virginia Wade both struggled to overcome their little-known Spanish opponents and to add to Britain's troubles, Barker tore a groin muscle and may not be able to play in any remaining matches.

She injured her left leg when she slipped during her 95-minute center court struggle with Monica Alvarez-Mon. Barker sought medical treatment immediately after winning, 6-0, 10-8.

"It's the sort of injury that you can't stretch out," Barker said. "I might try to practice tomorrow and see how it is. It hurts mainly when I serve and it's the sort of injury which you could aggravate by playing."

New Doubles Team

Barker will be treated by the Australian Davis Cup masseur, Stan Nicholes, in a bid to be fit for Britain's second-round match Wednesday. She withdrew from the doubles against Spain and Michele Tyler paired with Wade.

The overcast conditions and slow center court worried Wade, who had an unexpected struggle against Carmen Perez. The soft-serving but

consistent Spaniard stunned the crowd by winning the first set, 8-6, off the 1977 Wimbledon champion. But Wade's strength overpowered Perez and she swept through the next two sets, 6-1, 6-2.

While Britain toiled for victory, its expected rivals in the semifinals, the United States, predictably thrashed South Korea in the opening round.

Tracy Austin, at 15 the youngest ever Federation Cup player, crushed Choi Kyung-Mie, 6-0, 6-0, in only 43 minutes. Then Chris Evert had an easy workout in downing Hahn Yoon-Ja, 6-1, 6-0.

The U.S. doubles pair of Evert and Billie Jean King completed the mismatch when they defeated Choi and Cha Eun Jeong 6-1, 6-0.

Danish Controversy

Eighth-seeded Argentina moved into the second round with a 2-1 victory over Denmark as Raquel Giscafre and Ivana Madruga won the singles amid controversy in the Danish camp.

Denmark's "unofficial" coach, Kurt Nielsen, was at court-side to see Anne-Mette Soerensen and Dorte Ekner lose, 2-6, 4-6, and 9-11, 6-2, 4-6, respectively. The Danish doubles pair, Helle Sparre Viragh and Ekner, later beat Vivian Donzulez and Madruga, 9-7, 7-5.

Neilsen took over at the team's request after the women asked the official coach, Don Tregonning, an Australian professional, to step aside.

By being on court, Nielsen defied the Danish National Tennis Association, which had asked Tregonning to look after the team. Neilsen was dropped by the Danish association early this year.

Hunchbacks Romp

ST. LOUIS, Nov. 27 (UPI) — Jim Brockhoff passed for five touchdowns yesterday to give Quasimodo's Lounge of New Orleans a 37-6 victory over the Montreal Panthers and the National Touch Football Tournament championship.

all as the odds-on favorite for the Heisman Trophy, but watching him flash through and around tacklers now, a guy can't help wondering why he isn't a Heisman candidate this year. It is an absurd award, based on the dreamy notion that sportswriters, sportscasters and other "authorities" around the country can compare the talents of players they have not seen and say, "This is the single best college football player in America today."

The election is a triumph of press agency, and the press agents don't even try to put a candidate forward before his senior year. Watching Charles White, a spectator had to ask himself: "Who could be better than this junior? Billy Sims of Oklahoma? Chuck Fusina of Penn State? That Alexander kid down at Louisiana State? Maybe none of the guys the press agents are pushing."

Then it was the fourth quarter, and the heretical suspicion arose that maybe Joe Montana was better. All of a sudden, Notre Dame's quarterback was a towering figure dominating the field. Time was wasting and the score was still 24-6, but the young man seemed poised and confident as he led his team on what seemed a forlorn march. Six inches short of a touchdown, disaster struck. Montana tried to squeeze into the end zone on a quarterback sneak, and fumbled the ball away.

Not even this discouraged him. Next time Notre Dame had the ball, he fired a bomb to Kris Haines that went 27 yards for a touchdown. (Haines, who looks like a blond choirboy, is Montana's favorite target. In that second half, Montana completed 17 passes for 286 yards, 9 of them to Haines for 179 yards.)

Notre Dame had to go 98 yards for a second touchdown, with Montana still at the throttle. He threw long and short, and when he had to run, he showed that White wasn't the only ball carrier who could out-distance tacklers. The clock showed 3:01 when Pete Buchanan went in to make the score 24-19.

USC plays a possession game, but this time had to yield up the ball with a minute-and-a-half left. There were 48 seconds left when Montana got his troops to the 2-yard line. From there he threw a quickie to Pete Holohan on a slant in pattern in the end zone.

Southern Cal got the ball on its own 30-yard line with 41 seconds left, and now it was McDonald's turn to show poise. He completed a pass for 10 yards, had an incomplete when several Notre Dame players jumped on his wishbone, then pitched to Sweeney, who reached the Notre Dame 25 with 12 seconds to go. McDonald calmly extended six seconds on a run by White to position the ball for Jordan, the kicker. Jordan kicked for 37 yards. It was the whole ball of wax.

Penn State Honored

NEW YORK, Nov. 27 (AP) — Penn State, the nation's No. 1-ranked football team, won the Lambert Trophy yesterday as the outstanding major college team in the East. The University of Massachusetts won the Lambert Cup for middle-sized colleges.

Vikings, Packers in a Rare Tie

GREEN BAY, Wis., Nov. 27

(UPI) — Fran Tarkenton threw a 46-yard touchdown pass to Ahmad Adams and regulation time ran out in a 17-17 tie between the Minnesota Vikings and Green Bay Packers yesterday.

The tie, which was the first since 1951, was the result of a rare tie in the 10-10.

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Art Buchwald

Buying Up the U.S.

NEW YORK — It started off as a joke. What would happen if Europeans, Japanese and OPEC-rich zillionaires decided to buy up everything they could get their hands on in the United States? But no one is laughing anymore.

The United States is now holding a garage sale for the rest of the world.

I hadn't realized how serious it was until I met a friend of mine from Paris named Alain at the Pire Hotel. We embraced, kissed on both cheeks and headed for the bar. Alain owns a grocery store in Paris, and I assumed he was in the United States to replenish his shelves with Kellogg's Corn Flakes or Post Toasties.

But when I asked about it, he was uncertain. "I don't know whether to buy Kellogg's Corn Flakes or Post Toasties," I said. "Of course I also like a bowl of shredded wheat once in a while."

"I don't want to buy a bowl, I want to buy the company," he said. "Of course," he chuckled. "Why do you think I am in the United States?"

He showed me the valise full of Eurodollars he was carrying. "Don't they remind you of Kleenex?" he asked. "What a thing to say about the American dollar, Alain!"

"That's what you Americans used to say about the French franc."

"It was a joke," I protested. "Can't you let bygones be bygones?"

"All right," Alain said agreeably. "You see those Japanese businessmen over there? I heard them talking in the elevator. The little fellow with the Nikon camera just bought some land in New York."

"How many feet?" I asked. "I'm not sure. I think he said it was 60th Street to 83rd Street on Park Avenue. How many feet would that be?"

"Both sides of Park Avenue?" I asked. "Of course. He had to protect

himself from any Arabs moving across the street."

I ordered a rum and Coca-Cola. "A Swiss friend of mine is thinking about buying the Coca-Cola Co. Do you think it's worth the trouble?" Alain asked.

"It's not a bad company if you like Atlanta. Of course, if he bought Pepsi-Cola he could live in Greenwich, Conn.," I said.

"He doesn't want to live over here," Alain said. "He just wants to own something so that when he comes on a pleasure trip he can say it was a business trip and deduct his expenses."

"I said, 'Were you thinking of buying anything besides an American cereal company?'"

"Well, I'm not going out looking for that what you mean. But if my wife takes a fancy to something, as she did the other day, I'm not going to let her go."

"What did she want you to buy for her the other day?"

"Central Park," he said. "I didn't know it was for sale."

"Neither did I. The negotiations were very tricky. First, I bought up the New York subway system, very quietly, through a Nassau bank. Then I went to Mayor Koch and offered to give him back the subway system in exchange for the World Trade Center. He made the deal. I then went to the World Trade Center people and threatened to tear down both buildings and make a park out of it unless they could find something decent for me. They finally came up with Central Park."

"But Central Park doesn't produce any income," I said. "Who needs income? The only reason we're buying over here is to get our money out of Europe."

"Now wait a minute, Alain. I don't understand this. You Europeans have been attacking the U.S. dollar for several years because you say you have no faith in it. Why put funds into America if you don't believe in our economy?"

"Because, dummy, the only safe country in the world for a foreigner to invest his money in is the United States," he replied.

Alain called for the bar check. As he signed it he asked, "What's a decent tip for the waiter when you own the hotel?"

By Jeanne Brody

PARIS (IHT) — In the early '60s the West discovered the East. George Harrison followed his guru in India; Ravi Shankar courts brought thousands to Carnegie Hall. Ten years later only a few scattered traces remain: the odor of incense and perhaps some Hare Krishna devotees on the Champs-Elysees.

Narendra Bataju, a blind Nepali sitarist, is one of those traces. While American and European youths with their backpacks and dreams of spiritual purity trudged along the road to Katmandu, Bataju was traveling west in search of the inscrutable Occident. Filled with his own myths, he arrived in Paris on his way to the United States in the wake of the Indian craze. Today the wave has subsided, but Bataju stays on.

One of the new generation of sitarists who followed such masters as Ravi Shankar out of India, Bataju lives with his wife Vidhya in the 18th Arrondissement, sharing an apartment with Krishna Govinda, his tabla player and lifelong companion, and Govinda's wife Jeanne. Six thousand and some music notes separate the apartment on Avenue Rachel from the rest of Paris. A conspicuous absence of furniture, a few wall hangings and Indian rugs adorn the otherwise bare rooms.

Slyly smiling women dressed in saris shuffle silently in bare feet. Bataju sits cross-legged in the center of a small room. A baby's crib and a tiny altar crowded with pictures of Hindu deities occupy one corner, a mattress and a lamp the other.

"For those who had their golden period in the '60s, one could say things have gone down now; but I never knew a golden period, so for me things have only gotten better," Bataju punctuates his phrase by taking off his dark glasses. He is young, and has a bushy head of raven-black hair and a radiant smile.

Deeper Interest

It is true that although the heyday of the Indian period has passed, today in France a deeper interest seems to be developing. "There are more French than ever before going to Nepal," explains Bataju, and a look at the newspapers show that at least once a week there is a sitar con-

From East to West

A Nepali Sitar Player's Search For the Inscrutable Occident

cent or an Indian dance recital somewhere in the city. A group of young filmmakers just finished a short on Bataju ("Sa Re Ga: Indian Notes"), and he recently appeared on French television.

But that doesn't mean life is easy in the West. "In Nepal," he confesses, "I thought if I go west, I'll be happier." Compared to the poverty around him, even the motley Americans who poured into Nepal and India in those years were symbols of Western prosperity. Cameras, tape recorders and dollars seemed to hold the key to nirvana.

In fact, life in the West was very hard. "I didn't know a word of French when I arrived, not even 'Bonjour.' Moreover, Bataju found that those rare Frenchmen who appreciated "Indian music" back in the early '70s were suspicious of someone from Nepal. They didn't realize that Nepali music found its source in the same Hindu culture.

Sponsors

But Bataju and Govinda were not alone. A French couple who had studied with Bataju in Katmandu sponsored their trip to Paris, put them up for several weeks, found them an apartment and arranged a 15-day concert tour for them.

The help they received, according to Bataju, are still receiving from friends is invaluable. "Now, our life is tougher than before, a bigger challenge." Concerts are not an everyday affair, publicity is expensive, students scarce, and the rent and food bill must be paid regularly. "But I like it," Bataju insists. "To have progress some kind of challenge is necessary."

One of the greatest challenges, next to adjusting to Western culture and making ends meet, has been adapting ancient Indian

classical music and teaching methods to the demands of modern technology.

When Bataju was 10 years old in Nepal and discovered the man who was to become his guru, he benefited from the teacher-disciple relationship of the East. Naraya Prasad, sitarist and owner of a sweets shop in Katmandu, took the young blind boy into his home, where for two years Bataju woke and slept, lived and breathed to the music of the sitar. "He made me promise not to touch another instrument for a year, not even to listen to the radio."

Such complete absorption in the music is just not possible in the West. "Here, they have more obligation," says Bataju — "jobs, family, duties. A student can't devote eight hours to practicing. Even I can't devote as much time." But those students who come to Bataju for lessons and stay to learn — after the initial excitement has worn off and the hard work begun — truly love music. "If they come," Bataju smiles, "it is for love. I can give them nothing; no money, no fame, no job, just music."



Sitarist Narendra Bataju in still from film "Sa Re Ga."

In his own way, Bataju holds the key to one of today's major philosophical contradictions: how to reach a compromise between spiritual values and material progress. He tries to transmit the former by means of the latter. When he noticed that his pupils, unused to the oral tradition, were unable to retain the lessons from one week to the next, he began to tape-record lessons. His trusty recorder also solved the problem of having a readily available tabla accompanist (the tabla is a type of drum).

In Nepal, it is easy to arrange for someone to come to your home to accompany you on the tabla. In France, tabla players are expensive and rare, and time is precious. By recording accompaniments to different ragas in different tempos, Bataju made the students' task that much easier.

Edward Albee in his play "Zoo Story" says: "Sometimes you have to go a long way out to come back a short distance." Bataju Bataju has traveled that circuitous path. He left Katmandu and the spiritual traditions in which he was raised in search of the happiness that dollars could buy. In France he discovered that even with money, there were problems; even rich people were unhappy. For Bataju, instead of corrupting, "coming west gave me more spiritual values."

So in spite of the difficulties, Bataju has no immediate plans to leave. "I love my own country and I want to do something for my country, but I still haven't reached my final destination; I haven't been to America yet."

Where the Kennedys go, cameras follow. It was business as usual Sunday night. A herd of photographers lay in wait when former first lady Jacqueline Onassis arrived at a private East Side club in New York for a birthday party honoring her two children, Caroline, who turned 21 yesterday, and John Jr., who was 18 Saturday. During 30 seconds of clicking shutters, photographers shouted and pushed around the Kennedys. That John Jr., center, trying to get through the paparazzi.

PEOPLE: Travolta Revolving, Says E. German Paper

American film star and disco darling John Travolta has provoked the wrath of East Germany's Communist government. "Travolta tries to make capitalistic daily life seem harmless," said the state-run youth newspaper Junge Welt of East Berlin. But the West German newspaper Welt am Sonntag countered, saying that the editorial blast was "obviously aimed at dampening Travolta's rising popularity." East Germany's Music from Travolta's films is widely played in East German discos, and his picture is known from magazines brought in from the West.

President Carter's chief speechwriter, James Fallows, who is leaving the White House at mid-term, has no regrets and no recriminations. Fallows' "single happiest surprise" during two years at the White House was the lack of feuding, he told the Washington Star. It doesn't exist, "or is here in a much more muted form than I expected."

Lauding Carter's personal style, Fallows said, "He makes it clear that people are not going to get ahead by scheming or backstabbing. . . . He has demonstrated by word and action that people are not going to rise" using such methods. "No one has gotten ahead by adroit use of the leak, the poison pen, or the dagger," said Fallows, 29, adding that no one has been victimized by them, either. Fallows will come Washington office of Atlantic Monthly magazine.

She doesn't need the money. B. Priscilla Presley, the former wife of the late rock 'n' roll idol Elvis, says she is launching an acting career to make a clean break with the past. "That chapter is closed," she observes in an interview with People magazine. "Life is so short, don't want to dwell on the sadness." Mrs. Presley, 33, was divorced from Elvis in the early '70s. Under the terms of the settlement she received \$1.7 million plus \$8,000 a year until 1983. "With Elvis, my life was his," she told People. "I want to grow. I want to do things."

As far as veterans of the speed way are concerned, Paul Newman missed his calling when he opted for matinee idol rather than race car driver. That's the word in New York from the pros as polled in the December issue of Sport magazine. "If Paul Newman had decided to be a race-car driver at 21 instead of an actor, the man would have been a world champion," Newman told the sport after making a race film in 1968 and won a national championship in 1976.

—SAMUEL JUSTICE

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